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# THE FOOD STAMP PROGRAM: HISTORY, DESCRIPTION, ISSUES, AND OPTIONS

PREPARED BY THE STAFF OF THE

## COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY
## UNITED STATES SENATE

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# FOREWORD

Many Americans are not aware that the Food Stamp Program is the second largest federally funded welfare program in existence today. More than $12 billion of the taxpayers' money is spent each year with the intended purpose of providing nutrition assistance to needy families. For most of the past decade, the Food Stamp Program has been the largest program within the Department of Agriculture. As such, this necessitates considerable oversight by this committee, the administration, and from various watchdog agencies and study commissions.

Another reason for congressional attention to the Food Stamp Program this year is that the program expires September 30, 1985. The Congress will undertake consideration of reauthorization in conjunction with, or parallel to, consideration of the 1985 farm bill.

As in 1981, these deliberations will take place in the context of tremendous concern, indeed alarm, about total Federal spending. It is widely reported that the overall fiscal year 1985 and 1986 budget deficit will be approximately $200 billion in each year. In light of this stark budgetary situation, it seems certain that further congressional consideration will be given during 1985 to budgetary restraint or budget reductions.

It must be emphasized that despite the widespread impression to the contrary, spending for the Food Stamp Program, and many other such welfare programs, has not been reduced in past years. Such spending has actually continued to increase. Rather, it is the rate of growth that has been slowed. Indeed, the Food Stamp Program continues to cost considerably more than it did prior to 1981, and indeed, spending for fiscal year 1985—the current fiscal year—may yet prove to be the highest of any year in the history of the program. It may well be that because of the deficit situation, the time has now come to consider actual reductions in certain Federal programs, including food stamp expenditures.

Because of the considerable and constantly increasing expenditures for this program, attention has focused on ways in which it can be better targeted, more economically operated, and more effective in serving its intended purpose: To provide nutrition assistance to the needy. The stated purpose of the program is a worthy one, and one with which few people would disagree. There are, however, legitimate questions that have been raised about whether the current program achieves this purpose, whether the program is administered efficiently and economically, what is the governmental role versus that of the private sector in providing assistance to the poor, as well as the proper level of government to finance and administer a food assistance effort.

In anticipation of committee consideration of these issues in 1985, I have asked the staff of the Committee on Agriculture, Nutrition, and Forestry to prepare a committee print to accomplish several objectives—

(1) To provide a thorough legislative history on the origin and background of the Food Stamp Program and specific components thereof, including annual appropriations;

(2) To describe the day-to-day operations of the Food Stamp Program and the latest characteristics of participating households as well as provide a comparison with other Federal programs;

(3) To list areas of concern identified by the General Accounting Office, the Office of Inspector General of the Department of Agriculture, the President's Task Force on Food Assistance, the President's Private Sector Survey on Cost Control (the Grace Commission), and others;

(4) To identify issues on which the Congress may need to focus, both in 1985 and beyond, regarding some of the fundamental assumptions underlying the Food Stamp Program, as well as issues regarding day-to-day operations; and

(5) To provide reasonable policy alternatives for consideration in the event that further budget restraint or budget reductions in the Food Stamp Program are necessary in 1985.

I have asked the staff to draft policy alternatives following several important guidelines: To target benefits to the most needy, to provide administrative simplicity and, where possible, uniformity with other Federal programs, and to make the most efficient use of Federal tax dollars.

This print is the third in a series prepared for the committee in anticipation of 1985 legislation. The preceding prints: "Farm Policy Perspectives: Setting the Stage for 1985 Agricultural Legislation" (April 1984) and "Trade Policy Perspectives: Setting the Stage for 1985 Agricultural Legislation" (January 1985), are available for sale through the Government Printing Office.

While not all members of the committee may agree with all of its contents, this committee print is intended to be informative and helpful in providing an understanding of the present Food Stamp Program, its legislative history, as well as providing a basis for informed discussion of possible reforms.

JESSE HELMS, *Chairman.*

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# INTRODUCTION

The Food Stamp Program was established with the intent to increase the food purchasing power of low-income households to a point where they can buy a nutritionally adequate low-cost diet. It is the primary Federal program for providing food assistance to low-income households in the United States.

The program operates in all 50 States, the District of Columbia, the Virgin Islands, and Guam. (Since July 1982, a separate nutrition assistance program has been established for the Commonwealth of Puerto Rico which was previously served by the Food Stamp Program.)

Eligibility for participation in the Food Stamp Program is determined primarily through national criteria established in three broad areas—income, asset, and work requirements—all of which must be met in order to be eligible to participate. Additional limitations on participation relate to noncitizens, aliens, strikers, college students, and those who have voluntarily quit their jobs.

The program is federally funded, but administered, or operated, by State or local governments. Program benefits are 100 percent federally funded at a current cost of approximately $12 billion annually. Administrative costs are generally shared by the Federal Government and State and local governments that administer the program.

This committee print is provided in order to accomplish the objectives set out by Chairman Helms, as outlined in the foreword. They are—

(1) To provide a thorough legislative history on the origin and background of the Food Stamp Program and specific components thereof, including annual appropriations;

(2) To describe the day-to-day operations of the Food Stamp Program and the latest characteristics of participating households as well as provide a comparison with other Federal programs;

(3) To list areas of concern identified by the General Accounting Office, the Office of Inspector General of the Department of Agriculture, and others;

(4) To identify issues on which the Congress may need to focus, both in 1985 and beyond, regarding some of the fundamental assumptions underlying the Food Stamp Program, as well as issues regarding day-to-day operations; and

(5) To provide reasonable policy alternatives for consideration in the event that further budget restraint or budget reductions in the Food Stamp Program are necessary in 1985.

As noted in the Chairman's foreword, the guiding principles in developing policy alternatives were to target benefits to the most needy, to provide administrative simplicity and, where possible, uniformity with other Federal programs, and to make the most efficient use of Federal tax dollars.

Policy alternatives that are included in this print should not be construed as all inclusive. Alternatives have been gleaned from previous legislation, previous operation of the program, and proposals which have been speculated on or reported about in the media. In those cases in which previous legislative proposals are included as current alternatives, it should be understood that their inclusion does not necessarily indicate the continued support of the original sponsor; however, where concepts have been publicly identified with a Senator, Congressman, the administration, or outside organization, they will be so identified in this committee print.

Much assistance in the preparation of this committee print has been furnished by the Congressional Research Service of the Library of Congress, the Senate Library, the Congressional Budget Office, the General Accounting Office, the Food and Nutrition Service of the Department of Agriculture, the Office of Inspector General of the Department of Agriculture, and the Congressional Quarterly news magazine. The furnishing of information should not be construed as a recommendation by these organizations, unless specifically identified as such.

The first section of this print traces the origins of the Food Stamp Program from its first appearance in 1939 through the end of 1984. An attempt has been made to include all legislative activity directly affecting the Food Stamp Program, including all House and Senate authorization bills acted upon, floor amendments and votes, appropriations actions, and, to the greatest extent possible, all bills introduced.

The second section of the print describes the current Food Stamp Program, with some description of changes which have evolved and references specifically to recommendations, implemented or proposed, by the General Accounting Office and the Office of Inspector General.

The third section of the report raises issues of a fundamental nature which may need to be considered in the context of the 1985, or in the longer term, about the Food Stamp Program, its underlying assumptions, methods of operation and administration.

The final section of the print outlines policy options, following the guidelines of the Chairman, which could be implemented to restrain or reduce overall food stamp spending.

# HISTORY OF THE FOOD STAMP PROGRAM

## OVERVIEW OF THE PROGRAM: 1939–84

The modern Food Stamp Program began as a set of pilot projects initiated by an Executive order of President John F. Kennedy on January 21, 1961, the day after his inauguration.

The program initiated in 1961 was similar to an earlier Food Stamp Program operated between 1939–43. Participants bought food stamp coupons worth more than the cash they put up for the coupons, thereby presumably increasing their purchasing power. The difference between the cost and the value was known as the bonus cost, and represented the cost to the Federal Government.

The program today, while similar in several ways to the earlier programs has also undergone changes. This section of the committee print will trace the origins and evolution of the Food Stamp Program to the present.

The original eight pilot projects, designated on March 7, 1961, served an average of 143,000 persons a month at a Federal cost of $14.1 million a year in fiscal year 1962, the first full fiscal year of operation.

The pilot projects were primarily in rural areas: Franklin County, IL; Floyd County, KY; Silver Bow County, MT; San Miguel County, NM; Fayette County, PA; McDowell County, WV; and the Virginia-Hibbing-Nashwauk area in northern Minnesota. One urban area, Detroit, MI, was a part of the initial pilot program.

By the time the Food Stamp Act was enacted in August 1964, the Food Stamp Program was serving over 350,000 people in 43 project areas in 22 States. A total of $6 million in food stamps was issued in August 1964, of which $2.3 million, or 38 percent, represented the value of bonus coupons.

The Kennedy administration first submitted a legislative proposal for a Food Stamp Act to Congress in 1963. On January 31, 1964, President Lyndon B. Johnson, in his message on agriculture, renewed this position by recommending legislation to make the Food Stamp Program nationally available at State option. In August 1964, with minor changes from the administration's proposal, the Food Stamp Act of 1964 (Public Law 88–525) was enacted to enable States to establish a program, if they chose to, in all or part of the State.

The Food Stamp Program has grown dramatically. Today the program provides assistance to households nationwide, including Guam and the Virgin Islands. A nutritional assistance block grant has been established for the Commonwealth of Puerto Rico in lieu of the Food Stamp Program. There has been a corresponding reduction in the food distribution program which preceded the Food

Stamp Program. [NOTE.—All dollar amounts are expressed in terms of "current dollars"—that is, the value or amount at the time of an authorization or appropriation. For a comparison with constant dollars, using 1967 as the base year, see table regarding historical data in section entitled "Relation to the Food (Commodity) Distribution Program, Inflation, and Unemployment".]

## THE FOOD STAMP PLAN—THE EARLIER PROGRAM: 1939–43

In May 1939, 11 million needy people were receiving Federal food assistance through direct commodity donations. The impetus to try a food stamp or coupon approach in lieu of direct commodity distribution was based on the following assumptions: First, a desire to more closely gear the kinds, varieties, and amounts of foods being made available to low-income families to the actual needs of such families; second, a desire to obtain greater assurances that the Federal subsidy actually was used to increase food consumption rather than partially replacing previous food expenditures; and third, a belief that there were inherent advantages in utilizing regular commercial food distribution channels.

The first food stamp plan established by the U.S. Department of Agriculture began as an experiment on May 16, 1939, in Rochester, NY. It was subsequently extended to five additional experimental areas—Montgomery County, Dayton, OH; King County, Seattle, WA; Jefferson County, Birmingham, AL; Pottawatomie County, OK; and Des Moines, IA.

As measured by the number of participants, the plan reached its peak in May 1941, when approximately 4 million people participated. New geographic areas were brought into the plan after 1941, but it never operated on a nationwide basis. As measured by the number of geographical areas served by the plan, the peak was reached in August 1942 when 1,741 counties—almost half the counties in the country—and 88 cities were included. These areas contained almost two-thirds of the population of the United States, according to the 1940 census. The plan was discontinued in early 1943 when World War II wartime conditions had greatly reduced unemployment and greatly increased demands upon U.S. food supplies, thereby removing part of the rationale for the program.

The first Food Stamp Program was established by virtue of broad authority contained in section 32 of the act of August 24, 1935 (Public Law 74-320). Section 32 permanently appropriated an amount equal to 30 percent of U.S. Customs receipts from all sources each year for the Secretary of Agriculture, to be spent on three purposes: First, encouragement of agricultural exports; second, encouragement of domestic consumption of agricultural commodities, and third, reestablishment of farmers' purchasing power. Specifically, clause 2 of section 32 provides that the funds are to be used "to encourage the domestic consumption" of agricultural commodities or products—

> By diverting them, by the payment of benefits or indemnities or by other means, from the normal channels of trade and commerce or by increasing their utilization through benefits, indemnities, donations, or other means, among persons in low-income groups as determined by the Secretary of Agriculture.

During the 46 months that the plan was in operation, the additional food purchasing power provided to participants by the Federal Government was $260 million.

A two-color—orange and blue—stamp plan was formulated in an attempt to insure that the Federal subsidy actually was used for additional food purchases and to control the kinds of food participants could purchase with the free additional coupons.

Participating families were required to exchange an amount of money representing estimated normal food expenditures for orange stamps of the same monetary value. With these orange stamps, participants were provided—without cost—additional blue stamps, which could be used to buy designated surplus foods. In this manner, the plan attempted to concentrate the additional purchasing power on surplus foods, that is, foods that were experiencing marketing difficulties. (In 1939, a significant portion of the Nation's food supply could be classified in the surplus category.)

When the program was first begun, the surplus commodities on the blue stamp list were butter, eggs, white and grain flour, corn meal, oranges, grapefruit, dried prunes, and dried beans. At one time or another, the list included butter, eggs, flour, rice, corn meal, hominy grits, peaches, pears, apples, oranges, grapefruit, dried prunes, raisins, peas, tomatoes, snap beans, cabbage, onions, dry beans, pork, and lard.

Both the orange and blue stamps were printed in two denominations—25 cents and $1—and were like postage stamps in design. In fact, an engraver's plate for an old postage stamp was designed and used for food stamp purposes. The stamps were issued in books, and the design of the books was that of a regular postage-stamp book.

Participating areas were required to use public funds to establish a revolving fund to purchase the orange stamps from the Department of Agriculture. The revolving fund was subsequently replenished from the proceeds received from the sale of these orange stamps to participants.

To accomplish the basic objectives of the food stamp plan, participants were required to buy orange stamps in amounts about equal to their normal food expenditures. At the beginning of the program, it was assumed that the normal food purchases of the typical relief family was about $1 to $1.50 per person per week, and the "purchase requirement" for the orange stamps was established at that level. With each dollar of orange stamps purchased, the recipient received half again as much in free blue stamps. For example, a household with $10 of orange stamps would receive $5 in blue stamps.

Operating experience, together with the results of food purchase studies, demonstrated at the time that the uniform minimum requirement of orange-stamp purchases was not achieving its intended objective—that is, of assuring that participants continued to spend what they had been spending—but rather was substituting for some of the normal purchases.

It was determined that greater effectiveness might be obtained if the orange-stamp purchase requirements were based upon total cash income available to the household and the number of individuals eating at the family table—that is, the size of the household.

Nationwide tables were prepared based on this income basis of issuance. Since it was realized that variations existed between various geographical areas, it was decided that appropriate allowances for such differences should be made. Therefore, regional administrators were given the responsibility for determining the actual minimum and maximum orange-stamp purchase requirements for each program area, provided that the requirements came within approved national limits.

In general, the persons eligible for participation in the food stamp plan were households who prepared and ate their meals in the home, and who were eligible for public assistance in the area in which they lived. Usually participation was limited to those persons receiving general assistance, old age assistance, aid to the blind, aid to dependent children, State unemployment relief, and those receiving assistance from the Work Projects Administration in the form of employment. In a limited number of areas, the program was extended to low-income families who were not receiving any of the specific forms of relief assistance mentioned above. Eligibility guidelines were established by each project area that sought to participate.

Foods were designated as blue-stamp [surplus] food each month by the Secretary of Agriculture, and a list of those designated foods was sent to participating retail merchants. Participating retailers were required to post a notice of these monthly designations in their stores as a means of informing participants of the foods that could be purchased with the blue stamps. It was intended that this posting also would bring these foods to the attention of all customers, and thereby encourage increased purchases of the surplus foods among higher income families not participating in the plan.

The Department of Agriculture supplied food stamp cards to participating retailers on which stamps were to be posted prior to their presentation for redemption. These cards carried space for $10 worth of stamps. To redeem stamps, the retailer would file a claim directly with the Department of Agriculture, or the retailer could submit them to his wholesaler to the credit of his account. As the plan developed, banks also were used for redemption purposes.

The plan was first administered by the Federal Surplus Commodities Corporation, and later by the Surplus Marketing Administration, and its successor organizations, the Agricultural Marketing Administration and the Food Distribution Administration of the U.S. Department of Agriculture. The United States was divided into four regions, each with a regional director who was given considerable discretionary powers to carry out program policy and procedures.

A county or a city (or a combination of both) constituted an area in the administration of the plan. In the selection of areas for participation, a duly constituted authority from the area (such as the Governor of the State, the mayor of a city or a county board of supervisors) petitioned the Secretary of Agriculture for designation. Agreements were negotiated between the Department of Agriculture and the governing body of the area. Medium-sized communities were first designated, and as operating techniques were improved, the plan was set up in larger metropolitan and rural areas.

It was estimated that the supplemental purchasing power amounted to an average of 4 percent of total food sales in some of the cities where the plan operated. It also was estimated, at that time, that had the plan been available to all families receiving general welfare or Work Projects Administration assistance during 1939–43, the cost of the Federal contribution would have been about $400 million a year.

Surveys and studies indicated that the plan did increase food consumption levels among participating groups. However, it proved to be more effective in increasing participants' expenditures on some surplus foods than on others, despite the use of the two-color system. In general, the plan had its greatest effect upon those foods most responsive to price and income changes; that is, at that time animal products and most fruits and vegetables.

While the two-color stamp system was designed to ensure that the free blue stamps were to be spent on designated surplus foods, it did not prove to be particularly effective and introduced various operating problems.

For instance, it was difficult to inform retailers, their employees, and the participants concerning monthly changes in the blue-stamp list. While specific foods were designated on the blue-stamp list, innumerable problems were encountered in deciding if certain retail items should be sold for blue stamps; for example, if cereal products were on the list, but beef was not, would canned spaghetti with meat balls qualify? The two-color stamp system exercised far less control over participants' food purchases than was anticipated. For example, flour was a regular blue-stamp food. However, if a participant did not wish to consume additional flour he could buy his usual quantities of flour with blue stamps. The portion of the orange stamps (representing his own food money) that he ordinarily would have used then could be used for food of his own choice. As more foods were added to the blue-stamp list, the participants' freedom of choice increased.

Another problem that administrators of the early Food Stamp Program grappled with was that of substitution. The Food Stamp Program was designed to supplement food consumption and the increase in purchasing power—from the blue stamps—was intended to be applied solely to food, not to other goods. Obviously, if the food stamps did not result in increased food expenditures, the farm sector would not be assisted by the program and commodity surpluses would not be reduced.

To ensure that the extra dollars were spent on food, administrators of the food stamp plan relied upon the orange stamp purchasing requirement as well as a policy of instructing welfare agencies to maintain welfare payments at prestamp levels. Thus, the amount of welfare assistance recipients received was not to be reduced by the value of the food stamps. Orange stamps were to prevent recipients from simply using the blue stamps in place of their normal food expenditures. Program administrators estimated that between half and three quarters of the value of the blue stamps went toward increased food expenditures.

Additionally, the early plan was considered to be greatly abused. The Department of Agriculture estimated that 25 percent of all benefits were misused. Some of the same examples of abuse have been repeated in the modern Food Stamp Program. For instance, blue stamps were reportedly traded for liquor and tobacco and some grocers would buy them for cash at a discount—now known as trafficking.

Inasmuch as the program was predicated on the existence of surplus foods, and program was terminated as such surpluses turned to scarcity during the early years of World War II, and the program ended in 1943. The program had been established administratively and had never been explicitly authorized by the Congress.

However, immediately following termination, two bills were introduced to establish a food stamp, or food allotment, program legislatively:

H.R. 2997, by Representative Christian Archibald Herter (R-Massachusetts) on June 18, 1943; and

S. 1331, by Senators George D. Aiken (R-Vermont) and Robert M. LaFollette (Progressive-Wisconsin) on July 8, 1943.

An amendment to establish a food stamp program, incorporating the thrust of S. 1331, was proposed in the Senate on February 10 and 11, 1944, by Senators Aiken and LaFollette. The amendment provided for a $500 million Food Stamp Program. The amendment was defeated, 29 to 46. Hearings on the bill itself had been concluded on January 26, 1944, by a subcommittee of the Senate Committee on Agriculture and Forestry.

## 1945-56

In 1945, four bills were introduced that would have authorized creation of a Food Stamp Program:

S. 185, on January 10, by Senators Aiken (R-Vermont) and LaFollette (Progressive-Wisconsin);

S. 1151, on June 15, by Senators Aiken and LaFollette (a revision of the earlier bill);

H.R. 3695 by Representative Charles M. LaFollette (R-Indiana); and

H.R. 3696 by Representative Jerry Voorhis (D-California), both on July 5.

In 1947, the House Committee on Agriculture and the Senate Committee on Agriculture and Forestry held long-range agricultural policy hearings at which food stamps were an occasional topic of discussion. A bill to establish a Food Stamp Program, S. 131, had been introduced by Senator Aiken on January 10, 1947. Senator Aiken reintroduced his bill in 1949 as S. 104 on January 5, 1949.

In 1951, only one bill was introduced to establish a Food Stamp Program, S. 267, introduced on January 8 by Senator Aiken (R-Vermont), his sixth bill to establish a Food Stamp Program.

The bill was reintroduced as S. 2550 on August 1, 1953 by Senators Aiken and Hubert H. Humphrey (D-Minnesota).

As agricultural surpluses mounted after the end of the Korean war, there were numerous proposals introduced to reestablish a food stamp plan which would simultaneously help needy persons and help remove such surpluses from the market. In the years following the war, the number of bills to establish a food allotment, or food stamp program increased. Additionally, bills were introduced to provide "food certificates" for Social Security recipients.

In 1954, the number of food stamp related bills introduced climbed dramatically. In the House, 13 bills were introduced which would have established a Food Stamp Program in one of these forms:

H.R. 6908, Representative Lee Metcalf (D-Montana), January 6, 1954;
H.R. 7767, Representative Richard Bolling (D-Missouri), February 8, 1954;
H.R. 7870, Representative Leonor Kretzer Sullivan (D-Missouri), February 12, 1954;
H.R. 8077, Representative John E. Fogarty (D-Rhode Island), February 25, 1954;
H.R. 8208, Representative Harold O. Lovre (R-South Dakota), March 3, 1954;
H.R. 8319, Representative Samuel W. Yorty (D-California), March 10, 1954;
H.R. 8329, Representative Alvin E. O'Konski (R-Wisconsin), March 10, 1954;
H.R. 8351, Representative Homer D. Angell (R-Oregon), March 11, 1954;
H.R. 8366, Representative Gardner R. Withrow (R-Wisconsin), March 11, 1954;
H.R. 8391, Representative Joseph P. O'Hara (R-Minnesota), March 15, 1954;
H.R. 8688, Representative Harlan Hagen (D-California), April 1, 1954;
H.R. 8781, Representative John B. Bennett (R-Michigan), April 12, 1954; and
H.R. 9048, Representative Samuel W. Yorty (D-California), May 6, 1954.

Significant support was also evident in the Senate for a bill to provide "food certificates" for recipients of Social Security. The bill, S. 3092 was introduced by Senator Robert S. Kerr (D-Oklahoma) on March 9, 1954, and attracted 28 cosponsors: Hubert Humphrey (D-Minnesota), John McClellan (D-Arkansas), J. Allen Frear, Jr. (D-Delaware), John Stennis (D-Mississippi), Clinton P. Anderson (D-New Mexico), Dennis Chavez (D-New Mexico), Harley M. Kilgore (D-West Virginia), Allen J. Ellender, Sr. (D-Louisiana), Lester C. Hunt (D-Wyoming), Olin Johnston (D-South Carolina), A.S. (Mike) Monroney (D-Oklahoma), Russell E. Long (D-Louisiana), Guy M. Gillette (D-Iowa), John Sparkman (D-Alabama), Alton Lennon (D-North Carolina), Lister Hill (D-Alabama), Estes Kefauver (D-Tennessee), George A. Smathers (D-Florida), Earle C. Clements (D-Kentucky), Thomas A. Burke (D-Ohio), James O. Eastland (D-Mississippi), Mike Mansfield (D-Montana), Alexander Wiley (R-Wisconsin) Milton Young (R-North Dakota), Stuart Symington (D-Missouri), William Langer (D-North Dakota), Henry C. Dworshak (R-Idaho), and Paul H. Douglas (D-Illinois).

The Eisenhower administration, while not opposing outright the legislative initiatives to establish a Food Stamp Program, indicated that more studies and discussions were needed before specific legislation, supported by the administration, could be formulated.

In 1955, the following bills were introduced:

H.R. 863, Representative James E. Van Zant (R-Pennsylvania), January 5, 1955;

S. 45, Senators George D. Aiken (R-Vermont), Milton R. Young (R-North Dakota), and Hubert H. Humphrey (D-Minnesota), January 6, 1955;

H.R. 3773, Representative Martha Griffiths (D-Michigan), February 8, 1955;

H.R. 4577, Representative Lee Metcalf (D-Montana), March 2, 1955;

H.R. 5105, Representative Leonor Kretzer Sullivan (D-Missouri), March 21, 1955;

H.R. 5189, Representative Louis C. Rabaut (D-Michigan), March 23, 1955; and

S. 627, Senators J. Allen Frear, Jr. (D-Delaware), Earle C. Clements (D-Kentucky), Mike Mansfield (D-Montana), Henry C. Dworshak (R-Idaho), William Langer (R-North Dakota), Lister Hill (D-Alabama), George A. Smathers (D-Florida), Alexander Wiley (R-Wisconsin), Allen J. Ellender (D-Louisiana), Dennis Chavez (D-New Mexico), Estes Kefauver (D-Tennessee), Russell B. Long (D-Louisiana), James O. Eastland (D-Mississippi), Milton R. Young (R-North Dakota), Stuart Symington (D-Missouri), Olin D. Johnston (D-South Carolina), A. S. (Mike) Monroney (D-Oklahoma), John L. McClellan (D-Arkansas), Paul H. Douglas (D-Illinois), Hubert H. Humphrey (D-Minnesota), John J. Sparkman (D-Alabama), and John C. Stennis (D-Mississippi).

Hearings were held by the House Committee on Agriculture in 1955 on various food stamp bills then pending. The Eisenhower administration indicated opposition to the specific approaches which had been discussed most frequently—H.R. 863, H.R. 3773, and S. 627.

Three more food stamp bills were introduced in 1956:

S. 3092, Senator Estes Kefauver (D-Tennessee), January 31, 1956;

H.R. 9896, Representative Iris F. Blitch (D-Georgia), March 13, 1956; and

H.R. 10903, Representative John Dingell (D-Michigan), April 30, 1956.

In 1956, an attempt was made to attach the Surplus Food Certificate Act (S. 627) as an amendment to the Social Security Amendments of 1956 being considered by the Senate Finance Committee. The amendment, which would have established a Food Stamp Program, was defeated in committee 9 to 5 on March 16, 1956.

In 1956, the platform adopted at the Democratic National Convention called for the establishment of a Food Stamp Program.

Subsequently, the Agricultural Act of 1956 (H.R. 10875, Public Law 84-540) included a provision to require the Secretary of Agriculture to submit to Congress a study and report with regard to recommendations for a food stamp plan or similar program for distribution through States of future surplus production to needy persons to prevent the accumulation of commodities in the Commodity Credit Corporation. (The study provision had been added in conference on an earlier version of the bill, H.R. 12, which had been vetoed by President Eisenhower on April 16 for other reasons. The provision was included in the final bill, enacted May 28, 1956.)

The 27-page report, submitted to Congress on January 3, 1957, outlined aspects of a Food Stamp Program that would be necessary if the program were to increase actual food expenditures. The report also outlined administrative procedures that would need to be followed in the event such a program were established. The report recommended that specific legislation be enacted to define the objectives and scope of a Food Stamp Program, rather than relying on administrative authority (as had been done in earlier programs). The report outlined the potential participation and associated costs of a Food Stamp Program. Between 6 million and 25 million people were estimated to be eligible for the program, depending on the eligibility criteria that were to be set, with corresponding costs between $600 million and $2.5 billion.

## 1957

The number of food stamp bills introduced in Congress in 1957 climbed to 17:

H.R. 250, Representative Kenneth B. Keating (R-New York), January 3, 1957;
H.R. 664, Representative Martha Griffiths (D-Michigan), January 3, 1957;
H.R. 901, Representative Louis C. Rabaut (D-Michigan), January 3, 1957;
H.R. 949, Representative Leonor Kretzer Sullivan (D-Missouri), January 3, 1957;
H.R. 1912, Representative Charles E. Bennett (D-Florida), January 5, 1957;
S. 43, Senators George D. Aiken (R-Vermont), Milton R. Young (R-North Dakota), Hubert H. Humphrey (D-Minnesota), Clinton P. Anderson (D-New Mexico), Arthur V. Watkins (R-Utah), January 7, 1957;
H.R. 3750, Representative Iris F. Blitch (D-Georgia), January 28, 1957;
S. 1005, Senator Thomas C. Hennings, Jr. (D-Missouri), February 1, 1957;
H.R. 4267, Representative John D. Dingell (D-Michigan), February 4, 1957;
H.R. 4527, Representative James Roosevelt (D-California), February 6, 1957;
H.R. 7382, Representative Coya Knutson (D-Minnesota), May 9, 1957;
H.R. 7392, Representative Edith Green (D-Oregon), May 9, 1957;
H.R. 7395, Representative Elizabeth Kee (D-West Virginia), May 9, 1957;
H.R. 7398, Representative George S. McGovern (D-South Dakota), May 9, 1957;
H.R. 7442, Representative Cleveland M. Bailey (D-West Virginia), May 13, 1957;
H.R. 7538, Representative Lester R. Johnson, (D-Wisconsin), May 14, 1957; and
H.R. 7572, Representative John F. Shelley (D-California), May 15, 1957.

On June 20, 1957, an amendment incorporating the text of one of these bills, H.R. 949, was offered as an amendment by Representative Leonor K. Sullivan to a bill (H.R. 6974) amending the Agricultural Trade Development and Assistance Act of 1954, extending Public Law 480 (providing for overseas sales and donations of agricultural commodities). The amendment would have required the Secretary of Agriculture to establish a program to distribute food to needy persons in the United States through a Food Stamp Program. The amendment was rejected during House floor consideration by a vote of 89 to 128 (on a teller vote).

## 1958

On March 19, 1958, Senator William Proxmire (D-Wisconsin) introduced S. 3514 to establish a Food Stamp Program, but no action was taken in the Senate on the bill. The bill had the following cosponsors: Senators James E. Murray (D-Montana), Wayne Morse (D-Oregon), William Langer (R-North Dakota), Richard L. Neuberger (D-Oregon), and Mike Mansfield (D-Montana).

In the House, hearings were held by the Subcommittee on Consumers Study of the Committee on Agriculture on April 16 and 17, and May 14, 1958. Several bills to establish a Food Stamp Program were introduced in the House:

H.R. 11162, Representative Victor L. Anfuso (D-New York), March 5, 1958;
H.R. 11227, Representative Joseph M. Montoya (D-New Mexico), March 6, 1958;
H.R. 11534, Representative Melvin Price (D-Illinois), March 20, 1958;
H.R. 11808, Representative Victor L. Anfuso (D-New York), April 1, 1958;
H.R. 11809, Representative Victor L. Anfuso (D-New York), April 1, 1958;
H.R. 13054, Representative Victor L. Anfuso (D-New York), June 19, 1958;
H.R. 13067, Representative Leonor Kretzer Sullivan (D-Missouri), June 23, 1958; and
H.R. 13068, Representative Leonor Kretzer Sullivan (D-Missouri), June 23, 1958.

On August 2, 1958, the House Committee on Agriculture reported a food stamp bill, H.R. 13067. The bill, as reported, authorized and directed to be established a $1 billion Food Stamp Program targeted to needy persons receiving welfare assistance or in need thereof but ineligible because of State or local law, to take effect in calendar years 1959 and 1960. The Secretary of Agriculture, in conjunction with the Secretary of Health, Education, and Welfare, was to study the feasibility and costs of extending the program to recipients of unemployment compensation and Social Security benefits as well as other low-income groups. Use of the stamps was to be restricted to the purchase of surplus foods.

On August 6, 1958, the House Rules Committee refused to grant a rule allowing H.R. 13067 to be considered on the House floor. Supporters of the bill, led by Agriculture Committee chairman Harold D. Cooley (D-North Carolina), then attempted to pass the bill on August 18, during the last week of the session, under a House provision providing for a suspension of rules. This procedure permits no amendments and requires a two-thirds majority for passage. The bill received a simple majority, 196 to 187, but fell far short of the two-thirds required for passage. This vote was the first recorded vote on the Food Stamp Program in the House.

## 1959

In 1959, the following bills to establish a Food Stamp Program were introduced in the House:

H.R. 126, Representative Elizabeth Kee (D-West Virginia), January 7, 1959;
H.R. 247, Representative Melvin Price (D-Illinois), January 7, 1959;
H.R. 381, Representative Lester R. Johnson (D-Wisconsin), January 7, 1959;
H.R. 778, Representative Martha W. Griffiths (D-Michigan), January 7, 1959;
H.R. 1329, Representative Louis C. Rabaut (D-Michigan), January 7, 1959;
H.R. 1359, Representative Leonor Kretzer Sullivan (D-Missouri), January 7, 1959;
H.R. 2792, Representative Carl D. Perkins (D-Kentucky), January 19, 1959;
H.R. 2915, Representative George P. Miller (D-California), January 20, 1959;
H.R. 3130, Representative Victor L. Anfuso (D-New York), January 22, 1959;
H.R. 4077, Representative Alvin E. O'Konski (R-Wisconsin), February 4, 1959;
H.R. 5191, Representative John D. Dingell (D-Michigan), March 3, 1959;
H.R. 6663, Representative George S. McGovern (D-South Dakota), April 27, 1959;
H.R. 7218, Representative Leonard George Wolf (D-Iowa), May 18, 1959;
H.R. 7774, Representative Leonard Farbstein (D-New York), June 17, 1959; and
H.R. 8595, Representative Harlan Hagen (D-California), August 10, 1959.

The Agriculture Committees in both Houses held hearings and reported out food stamp bills in 1959.

On August 15, 1959, the House Agriculture Committee reported, by a vote of 18 to 12, a slightly amended version of H.R. 1359 (Mrs. Sullivan's bill) to authorize—rather than require as in the original bill and the 1958 version—the distribution of up to $1 billion of surplus food to the needy, including not only Commodity Credit Corporation stocks, but also perishables bought under price support operations.

The committee-reported bill was not considered per se inasmuch as the Rules Committee again refused to clear the measure for floor consideration on August 19, 1959. However, the substance of the bill was proposed by Mrs. Sullivan and adopted as an amendment to H.R. 8609, a bill to extend and amend Public Law 480, on

August 20, 1959. The amendment passed initially 156 to 96 on a teller vote, and then was adopted 232 to 127 on a rollcall vote.

Several food stamp bills were introduced in the Senate in 1959:

S. 585, Senators George D. Aiken (R-Vermont), Milton R. Young (R-North Dakota), Hubert H. Humphrey (D-Minnesota), and Clinton P. Anderson (D-New Mexico), January 20, 1959:

S. 618, Senator Thomas C. Hennings, Jr. (D-Missouri), January 21, 1959;

S. 1686, Senators Stuart Symington (D-Missouri) and Hubert H. Humphrey (D-Minnesota), April 15, 1959;

S. 1884, Senators John F. Kennedy (D-Massachusetts), James E. Murray (D-Montana), Robert C. Byrd (D-West Virginia), Joseph S. Clark (D-Pennsylvania), John Sherman Cooper (R-Kentucky), Philip A. Hart (D-Michigan), Hubert H. Humphrey (D-Minnesota), Gale W. McGee (D-Wyoming), Pat McNamara (D-Michigan), Eugene J. McCarthy (D-Minnesota), Wayne Morse (D-Oregon), Jennings Randolph (D-West Virginia), Ralph W. Yarborough (D-Texas), Stephen Young (D-Ohio), Milton Young (R-North Dakota), May 7, 1959; and

S. 2098, Senators Hubert H. Humphrey (D-Minnesota) and Stuart Symington (D-Missouri), June 3, 1959.

Subcommittee hearings were held June 4–8, 1959. The Senate Agriculture and Forestry Committee reported S. 2522, a clean bill, on August 11, 1959. The Senate bill authorized $20 million and directed the Secretary of Agriculture to establish a demonstration Food Stamp Program in from three to six separate areas in the United States. The demonstration was to terminate by January 1, 1962. The programs were to be in surplus labor areas (now known as areas with high unemployment), with at least one rural area included. (NOTE.—Such areas were identified by the Department of Labor as having particularly high or persistent levels of unemployment.) The Secretary was required to report to Congress.

During Senate consideration of S. 1748, the extension of Public Law 480, Senator Humphrey proposed an amendment containing the text of S. 2522, calling for a $20 million demonstration project using food stamps. The amendment was defeated 41 to 46 on September 4, 1959. However, subsequently, on September 7, 1959, a similar amendment, providing for a $15 million demonstration program, was again proposed by Senator Humphrey, and was adopted 44 to 38. Conferees on the Public Law 480 extension agreed on a compromise on the Food Stamp Program which was signed into law on September 21, 1959 (Public Law 86–341). The compromise (between the House $1 billion permissive program and the Senate's $15 million mandatory demonstration program) was an authorization of appropriations for $250 million annually for 2 fiscal years to carry out a Food Stamp Program. The program was to be limited to the purchase of surplus commodities. The program was discretionary, and the Eisenhower administration had indicated its unwillingness to initiate such a program.

Following is the section of the enacted bill relating to the food stamp provision:

> SEC. 306. (a) In order to promote the general welfare, raise the levels of health and of nourishment for persons whose incomes prevent them from enjoying adequate diets, and dispose in a beneficial manner of food commodities acquired by the

Commodity Credit Corporation or the Department of Agriculture in carrying out price support operations or diverted from the normal channels of trade and commerce under section 32 of the act of August 24, 1935, as amended, the Secretary of Agriculture (in this section referred to as the "Secretary") is hereby authorized to promulgate and put into operation a program to distribute to needy persons in the United States, including needy Indians, through a food stamp system such surplus food commodities. Such program shall provide for the distribution of such surplus food commodities only during the period beginning February 1, 1960, and ending January 31, 1962. The cost of such program, including the cost to the Federal Government of acquiring, storing, and handling such surplus food commodities, shall not exceed $250,000,000 in any 12-month period beginning February 1 and ending January 31.

When President Dwight D. Eisenhower signed the bill, he suggested that the food stamp provision would not increase the quantity of food consumed by the needy, but, rather, would increase welfare expenses. He indicated that he would not use the discretionary authority included in the bill. The Eisenhower administration did not implement a Food Stamp Program.

## 1960

In 1960, four food stamp bills were introduced:

S. 2920, Senators Philip A. Hart (D-Michigan), Joseph Clark (D-Pennsylvania), Wayne Morse (D-Oregon), Stuart Symington (D-Missouri), Thomas C. Hennings, Jr. (D-Missouri), Milton R. Young (R-North Dakota), January 27, 1960;

S. 2945, Senator Jennings Randolph (D-West Virginia), February 1, 1960;

H.R. 10998, Representative Louis C. Rabaut (D-Michigan), March 9, 1960; and

S. 3166, Senator Hubert H. Humphrey (D-Minnesota), Senator Eugene J. McCarthy (D-Minnesota), March 10, 1960.

Some of these bills were designed to direct the Secretary of Agriculture to use previously granted authority to create a Food Stamp Program.

The Democratic platform adopted at the 1960 Democratic Convention promised to implement "Food Stamp Programs authorized to feed needy children, aged, and unemployed."

## MODERN FOOD STAMP PROGRAM INITIATED—1961–62

In his Program for Economic Recovery and Growth, on February 2, 1961, President John F. Kennedy announced an expansion of surplus commodity distribution and the beginning of the Food Stamp Program:

> We are committed to expanding the variety and quantity of surplus foods distributed to persons who, in a nation of unparalleled agricultural bounty, lack adequate diets.
>
> (A) The first Executive order issued in this administration directed the Secretary of Agriculture to "take immediate steps to expand and improve the Government program of distributing surplus food to needy families".
>
> (B) Further, I have instructed the Secretary of Agriculture, consistent with the bill enacted by the Congress last year authorizing establishment of pilot Food Stamp Programs, to proceed as rapidly as possible to establish pilot programs for needy families in localities in West Virginia, Pennsylvania, Eastern Kentucky, Northern Minnesota, Southern Illinois, and the Detroit area. It is my hope that this pilot program while providing additional nutrition to those in need, will pave the way for substantial improvement in our present method of distributing surplus food.

Although President Kennedy indicated that the Food Stamp Pilot Program would be consistent with the 1959 law, the actual authority for the pilot program was based on the general authority of section 32. Thus, the Department of Agriculture was able to pick the locations where it wanted to try out the plan and was not bound by the 2-year authority of the 1959 law, which would have expired December 31, 1961.

The pilot project program was patterned in many respects after the earlier food stamp plan of 1939–43. While the orange and blue stamp system was not replicated, the principle was much the same. However, the new program eliminated the surplus foods component (purchased with blue stamps in the earlier system).

Under the Food Stamp Program, certified needy families exchanged the amount of money they normally would have been expected to spend for food for food coupons of a higher monetary value. The difference between the amount the families paid and the value of the coupons they received represented the Federal contribution in bonus coupons. Participating families used the food coupons to purchase food out of regular commercial supplies at retail food stores approved to accept such coupons. Any food, except a few imported items, could be purchased with coupons. Retailers redeemed the coupons through the facilities of the commercial banking system.

Like the earlier plan, the pilot projects required that participants put up some of their own money in exchange for food stamp coupons with greater purchasing power. The procedure for buying the stamps was called the "purchase requirement". The increased purchasing power—what had been the blue stamps in the earlier program—was called the "bonus value".

Two food stamp bills were introduced in 1961:

S. 23, Senators George D. Aiken (R-Vermont), Milton R. Young (R-North Dakota), Hubert H. Humphrey (D-Minnesota), and Clinton P. Anderson (D-New Mexico), January 5, 1961; and

H.R. 892, Representative Victor L. Anfuso (D-New York), January 3, 1961.

Probably because a Food Stamp Program was initiated by Executive order, there was little legislative action in 1961.

Under the pilot project, eligibility was determined at the State or local level typically using the applicable welfare eligibility guidelines. The allotments varied by household size and region of the country with two allotment schedules, one for Southern States and a higher one for Northern and Western States. Participants averaged paying a little over $6 for every $10 worth of coupons. The "purchase requirement" was a sliding scale with higher income participants having to pay a higher percentage of their income for the food stamp coupons.

Funds designated for the pilot projects totaled $3.7 million in fiscal year 1961, $48.9 million in fiscal year 1962, and $50 million in fiscal year 1963. In these first 3 years, funding for the Food Stamp Program came through the use of section 32 funds. A specific appropriation of $45 million was made in the fiscal year 1964 appropriation bill, H.R. 6754, although the funds continued to be transferred from section 32. The bill became Public Law 88–250.

On August 2, 1962, the President added 18 more areas as designated areas for operation of a pilot Food Stamp Program. That prompted a charge on August 10 by Representative Durward G. Hall (R-Missouri) that the Food Stamp Program was a $50 million slush fund to benefit congressional districts represented by Democrats. He noted that all but one of the 26 districts selected for participation were represented by Democratic Congressmen. Representative Leonor Kretzer Sullivan (D-Missouri) denied the charge. On October 26, 1962, 14 more areas were added to the food stamp pilot project.

### 1963

In his January 31, 1963, farm message to Congress, President Kennedy asked for legislation to expand and make permanent the Food Stamp Program which he had initiated as pilot projects by Executive order in 1961. He urged that "enabling legislation be enacted to permit the progressive expansion of the Food Stamp Program into all areas of the Nation where conditions warrant its establishment."

The administration's 1963 food stamp bill was introduced as—

H.R. 5733, Representative Leonor K. Sullivan (D-Missouri) on April 22, and

S. 1387 (by request), by Senator Allen J. Ellender (D-Mississippi), April 26.

The House Agriculture Committee held hearings on June 10, 11, and 12, 1963, on the administration proposal, H.R. 5733. At the conclusion of the hearings a special subcommittee redrafted the bill after holding additional hearings on August 7, 8, and 15. A clean bill, H.R. 8107, incorporating the subcommittee's recommendations was introduced August 15, 1963, by Representative Leonor Kretzer Sullivan (D-Missouri).

### 1964—AUTHORIZING LEGISLATION APPROVED

In 1964, President Lyndon B. Johnson renewed the request for permanent authorizing legislation in his January 31 farm and March 16 poverty messages.

The House Agriculture Committee acted on the administration's proposal first in February. However, the committee voted on February 4, 1964, to table, and thus kill, the clean bill, H.R. 8107, that embodied the Food Stamp Program proposed by the administration with minor changes. The vote was 19 to 14 to table the bill.

One month later, on March 5, the committee considered a clean bill, H.R. 10222, that had been introduced by Mrs. Sullivan on March 3, making minor changes in H.R. 8107. The committee adopted, 18 to 17, an amendment by Representative Albert H. Quie (R-Minnesota) requiring States to pay half the program's costs. The committee then ordered the bill reported on a vote of 18 to 16.

Congressional Quarterly reported at the time that the turnaround in the committee came as a result of the following scenario: Shortly after the Agriculture Committee voted to table the first bill, northern Democrats on the House Rules Committee made it known that they were holding up a tobacco research bill (H.J. Res. 915) pending favorable action on a food stamp bill. Congressman

Watkins M. Abbitt (D-Virginia), who had offered the tabling motion against the food stamp bill, was chairman of the Tobacco Subcommittee which handled House Joint Resolution 915. The tobacco bill was also important to committee chairman, Harold D. Cooley (D-North Carolina). This pressure was apparently enough to persuade several Democrats to switch their votes in the committee. (The tobacco bill, however, was never cleared by the Rules Committee.)

A second linking of food stamp legislation with agricultural legislation was used to gain House consideration and approval of the food stamp bill, H.R. 10222. The food stamp bill and H.R. 6196, the administration's cotton-wheat bill, were brought to the House floor together on April 8 under an arrangement worked out by the Democratic leadership. Under the arrangement, both bills were passed the same day, with the food stamp bill, supported mainly by northern Democrats, taking precedence over the cotton-wheat bill, supported mainly by southern Democrats.

Following announcement late April 8 by majority leader, Carl Albert (D-Oklahoma) that the House would stay in session to complete voting on both the food stamp and cotton-wheat bills that day, Republicans tried by delays and other tactics to unstick the northern-southern Democratic alliance. In a series of actions, the House: by a 149 to 117 teller vote adopted a Cooley motion to end all debate on H.R. 10222 at 6 p.m.; rejected, on a 114 to 146 teller vote a motion by Representative Ben F. Jensen (R-Iowa) to postpone further debate out of respect to the late Gen. Douglas MacArthur (the House had previously recessed for almost 2 hours for MacArthur lying-in-state ceremonies); and, over Republican protests that the procedure was irregular, recessed temporarily at 6:24 p.m. to await delivery of an engrossed copy of H.R. 10222 demanded by Representative Charles S. Gubser (R-California). Speaker John W. McCormack (D-Massachusetts) reconvened the House at 9:04 p.m. and overrode additional delay maneuvers. Representative Oliver P. Bolton (R-Ohio) moved to adjourn for the day without completing action on the bill. The move was designed to delay final voting on both the food stamp and cotton-wheat bills until later, in the hope of eroding support for the two measures. It was defeated 173 to 239.

Final passage of H.R. 10222 (the food stamp bill), by a vote of 229 to 189, came late on the evening of April 8. Following this vote, the House took up and passed, 211 to 203, the cotton-wheat bill. Representative Leonor Kretzer Sullivan later gave President Johnson credit for the success of the tactic tying the food stamp and cotton-wheat legislation together.

The 1964 debate on setting up a Food Stamp Program reflected some of the arguments that would be debated for years to come with regard to the program, including the appropriate apportionment of costs associated with the program.

The Quie amendment providing that States would pay half the costs of the Food Stamp Program, which had been added in committee, was defeated on the House floor, first by a teller vote of 155 to 168 and subsequently on a motion to recommit the bill, by 195 to 223. (Earlier, an amendment by Representative Ben Reifel (R-South Dakota) to exempt Indians living on reservations from the Quie cost-sharing amendment was defeated on a standing vote of 65 to 90.)

Proponents of the Quie amendment argued that welfare expenses had traditionally been borne by State and local governments, and that those governments should pay for part of the costs of the Food Stamp Program. Representative Clarence J. Brown of Ohio (R-Ohio) stated, "This is purely a welfare bill and not a piece of farm legislation, notwithstanding the way it is described in its title". The title described the bill as one "to strengthen the agricultural economy, to help achieve a full and more effective use of food abundance."

Representative Delbert L. Latta (R-Ohio) renewed the Republican criticism that the program was being used by the Democratic administration to reward Democratic Congressmen. Latta noted that the Food Stamp Program was in operation in 43 areas, but that "only three areas happen to be in Republican congressional districts." Representative Sullivan countered that eight had Republican Representatives.

Much discussion focused on whether the Food Stamp Program would, as suggested, increase the consumption of surplus commodities, especially whether this proposed distribution method through a food stamp system was preferable to the then-existing direct commodity distribution system. Representative Page Belcher (R-Oklahoma) said, "I still cannot understand why if they can buy anything in a grocery store it is going to dispose of more surplus commodities than you will if the only thing you can get is the surplus commodity itself." Unlike the 1959 amendment which the House adopted, but which was never used, the 1964 legislation did not restrict the food stamp use to surplus commodities. Mrs. Sullivan argued that "The more people buy in the stores and eat, the less food goes into surplus warehouses. This program raises food consumption." Representative Martha Griffiths (D-Michigan), however, observed, "I would not consider the primary purpose of this program to be to use up surpluses."

Mrs. Sullivan and other proponents argued that the Food Stamp Program would be a more efficient means of providing for the food needs of the poor than the Commodity Distribution Program.

Representative Latta also argued that the bill's parameters for income eligibility were too loose—"households eligible to participate in the Food Stamp Program shall be those whose economic status is such as to be a substantial limiting factor in the attainment of a nutritionally adequate diet." Said Latta, "We have absolutely no income limitation in this bill. All you have to do to quality is to prove to some welfare worker that you do not obtain a nutritionally adequate diet." However, Representative Harlan Hagen (D-California) argued that the Food Stamp Program would be less susceptible to abuse because recipients would have to contribute some of their own money. "Most of the chiselers got out," he said in describing the pilot project experience, "when the Food Stamp Program went in because it involved putting up some of their own money."

Representative Mark Andrews (R-North Dakota) offered an amendment to authorize the Secretary of Health, Education, and Welfare to administer the program, rather than the Secretary of

Agriculture, as in the committee-reported bill. The amendment was defeated by a standing vote of 45 to 99, and on a teller vote of 93 to 142.

Representative Charles B. Hoeven (R-Iowa), ranking Republican on the Agriculture Committee, offered an amendment to limit food eligible to be purchased with food stamps to domestically produced farm goods that the Secretary of Agriculture finds to be in surplus, thus eliminating coffee, tea, and other imported foods. The amendment was defeated 85 to 121 on a teller vote. The bill already contained a provision intended to restrict some imports.

Representative Paul C. Jones (D-Missouri) proposed to permit the Secretary to allow States or communities participating in the Food Stamp Program to participate also in the direct distribution of food. The committee bill prohibited such operation of both programs in the same geographic areas. His amendment was adopted by voice vote.

Representative Hoeven also proposed an amendment to terminate the authority to set up Food Stamp Programs on June 30, 1967, instead of making the authority permanent as in the committee-reported bill. The amendment was defeated, first by a standing vote of 65 to 76, and subsequently by a teller vote of 82 to 113.

Representative Edward Hutchinson (R-Michigan) proposed to require a State to act in accord with State law when granting a community the right to carry out certain local functions in its food stamp plan. It was adopted by a 79 to 10 standing vote.

Representative Robert L. Leggett (D–California) offered an amendment to require that funds authorized by the bill be apportioned to the States in proportion to their populations. It was defeated by a voice vote.

The final version of the bill passed by a vote of 229 to 189 on April 8.

The Senate Committee on Agriculture and Forestry held hearings on the House-passed bill on June 18 and 19. On June 29, the committee approved and reported H.R. 10222 with several changes.

The bill—

Specifically prohibited direct distribution of federally owned food to households in areas operating a Food Stamp Program, except in emergency situations.

Deleted the ban in the House bill on the purchase of soft drinks and luxury foods because their specific exclusion "presented insurmountable administrative problems," but wrote in language specifying that the value of stamps distributed to a household should help the family to obtain a "low-cost," nutritionally adequate diet. The committee said the addition of the "low-cost" requirement would force recipients to "restrict themselves to nonluxury foods in order to achieve that diet." The Senate version retained the other House restrictions on tobacco products and alcoholic beverages.

Added to the House ban on the use of stamps for foods identified as being imported, specific reference to meat and meat products.

Stipulated that in determining a family's eligibility a State should include maximum income limitations consistent with those it used for federally aided public assistance programs.

Made each State responsible for "gross negligence or fraud" on the part of State or local offices in certifying eligible participants. (This was in addition to the House version's imposition of criminal penalties for violation of the program procedures.)

Reduced the House's $400 million authorization over 4 years to $375 million over 3 years, by eliminating $25 million provided by the House for fiscal year 1964 (which was about to end on June 30). The authorization was for $75 million in fiscal year 1965, $100 million in fiscal year 1966, and $200 million in fiscal year 1967, thereby authorizing the program through June 30, 1967.

Required that if State requirements exceed authorized amounts, the Secretary must reduce the stamps available to participants instead of requesting increasing appropriations.

The full Senate considered the bill on June 30 and passed the bill by voice vote. Unlike the House debate, no opposition to the bill was expressed in the Senate. Three amendments were rejected by voice vote, although they presaged issues that would surface again.

Senator John Sherman Cooper (R-Kentucky) proposed to permit States to require, as a condition of eligibility, that unemployed, able-bodied heads of households participate in work-relief programs. In debate foreshadowing discussion of "workfare" in future years, Senator Cooper said this would "raise the morale" of participants and help assure "better administration of the program" by making sure that aid went only to those "who actually need it."

Senator J. Caleb Boggs (R-Delaware) sponsored an amendment to require States to reimburse the Federal Government for 10 percent of the net cost of food stamps issued to people not on public assistance, saying that to do so would encourage more effective State administration.

Senator Paul H. Douglas (D-Illinois) proposed an amendment to prohibit the use of stamps to purchase carbonated soft drinks. The Senate committee had eliminated the House ban on purchase of soft drinks because it said such a ban might be applied to milk, orange juice and other nutritious drinks and because it did not wish to "immediately revolutionize well-established food habits."

An amendment by Senator Jack Miller (R-Iowa) was accepted which prohibited food stamps from being used to purchase any imported meat, thereby further tightening the restriction on the use of food stamps to buy imported meat.

H.R. 10222, as amended in the Senate, was agreed to in the House by voice vote on August 11, 1964. President Johnson signed the bill into law (Public Law 88-525) on August 31.

The Food Stamp Act of 1964 established the Food Stamp Program as a permanent program and authorized expansion from the pilot project phase to enable States to establish a program, if they chose to, in all or part of the State.

While the Federal Government paid 100 percent of the food stamp benefits, the cost of administering the program was shared between the States and the Federal Government. States and localities were responsible for roughly 70 percent of their overall administrative costs, under a rather complicated formula that had the Federal Government paying 62½ percent of some State and local administrative costs and no share of other costs. The Federal Government was responsible for all benefit costs, roughly 30 percent of overall State and local administrative costs, and all Federal administrative costs, including the printing of stamps and Federal personnel.

Under the terms of the act, eligibility was to be determined by the States, using standards consistent with those used by each State in its cash welfare programs. Benefit levels were set by the Federal Government, and the Department of Agriculture was to be the administering Federal agency. Average purchase requirements required participants to pay 70 cents for every $1 in food coupons received.

After determination of eligibility under State-defined standards, eligible recipient households were allowed to purchase a monthly allotment of stamps. The allotments varied by household size and region of the county. Two allotment schedules were set—a higher allotment schedule for Northern and Western States and a lower allotment schedule for Southern States.

The allotments were set by the Department of Agriculture according to its economy food plan, one of four food plans prepared by the Department. The economy food plan established monthly dollar amounts determined to be adequate to purchase a minimally nutritious diet. (NOTE.—After a court suit, the basis for monthly allotments was changed to a modified version of the economy food plan, called the thrifty food plan, in 1975.)

The amount of the "purchase requirement" that each household had to put up out of its own income varied by income and household size and was also set by the Department of Agriculture, according to food consumption surveys indicating what lower income households normally spent for food. The difference between a household's purchase requirement and its monthly allotment was termed the "bonus," or benefit. The bonus represented the Federal cost or subsidy for each participant.

The general theory behind the program at this stage—and until 1977—was that participating low-income households be required to spend, out of their own income, an amount equivalent to their normal food purchases (as indicated by consumption surveys) and that the Food Stamp Program would supplement that amount by giving a monthly allotment which was equal to the amount by which normal expenditures fell below the dollar amount determined to be adequate for a minimally nutritious diet (that is, the economy, and later the thrifty, food plan).

Food stamp allotments and purchase requirements were fixed at the beginning of the program and did not vary over time, except that an individual household's benefit might fluctuate as its income changed or the number of persons in the household changed. In fact, food stamp benefits (bonuses) stayed at an average of $6 to $7 per person per month until two administrative revisions in late 1969 liberalized benefits.

In 1964, the House agriculture appropriations bill (H.R. 11202) again provided $45 million for the Food Stamp Program for fiscal year 1965, to be financed, as in previous years, through section 32 funds. However, the Senate bill and the final conference agreement provided $35 million for the food stamp pilot projects. (Public Law 88–573, approved September 2, 1964.)

An additional $25 million for fiscal year 1965 was considered during the supplemental appropriations bill, H.R. 12633, later in 1964. This was to provide funding for the expanded program after the enactment of the Food Stamp Act of 1964. The House provided that $10 million be transferred from section 32 funds while making a direct appropriation for the remaining $15 million. The Senate version of the bill provided the same amount, $25 million, but made the entire amount a direct appropriation, which was the approach taken by the conferees. Future funding for the Food Stamp Program would be as direct appropriations. The bill became Public Law 88-635.

## OVERVIEW: 1965-69

From 1964 through 1969, the Food Stamp Program operated as originally in 1964, with only minor changes. However, with geographic expansion of the program—as more States choose to operate the program—participation and costs grew. The number of project areas (cities and counties) participating grew from 110 in fiscal year 1965 to 1,489 in fiscal year 1969, and the number of participants grew from 424,000 persons per month to almost 2.9 million persons in the same time period. By 1969, the program was operating in roughly half of the country's 3,100 potential project areas.

In 1965 and 1966, the primary food stamp activity was through the appropriations process. In 1965, the House Appropriations Committee reported out a fiscal year 1966 agriculture appropriations bill which proposed $75 million for the Food Stamp Program, $25 million less than recommended by the Johnson administration. However, during House consideration of that bill, H.R. 8370, on May 26, Representative Jamie L. Whitten (D-Mississippi), chairman of the Agriculture Appropriations Subcommittee, proposed an amendment to add $25 million to the food stamp appropriation. His amendment was accepted by a voice vote.

The Senate Appropriations Committee approved the full, requested amount of $100 million, but specified that $20 million of that amount should come from the $60 million in unused appropriations from the preceding fiscal year (1965). The Senate bill passed on July 13, and was accepted by the conferees on the agriculture appropriations bill which became Public Law 89-316.

In 1966, the House Appropriations Committee recommended, and the House adopted, a fiscal year 1967 appropriation of $140 million for the Food Stamp Program—$110 million in new appropriations and $30 million to be carried over from unused funds. The Senate Appropriations Committee recommended a lesser amount of $125 million by designating $100 million in new funds and carrying over $25 million in unused funds. However, during Senate floor consideration of the bill, H.R. 14596, on July 15, 1966, Senator Joseph M. Montoya (D-New Mexico) proposed an amendment to increase the funding to that contained in the House-passed version. His amendment was adopted by voice vote, and was the amount included in the final bill, Public Law 89-556.

With regard to authorizing legislation, Representative Joseph P. Vigorito (D-Pennsylvania) introduced H.R. 15605 to authorize certain retired persons 65 years of age or over to participate in the Food Stamp Program on June 9, 1966.

Representative Leonor Kretzer Sullivan (D-Missouri) introduced the administration's bill to continue the program beyond its expiration date of June 10, 1967, H.R. 17600, on September 8, 1966, but no action was taken on the authorization until the following year.

## 1967

As of January 1967, the Food Stamp Program was operating in 589 areas in 41 States and the District of Columbia with 1.4 million participants. The nine States that were not participating at all were Arizona, Delaware, Florida, Idaho, Massachusetts, Nevada, New Hampshire, Oklahoma, and South Dakota; one of these, Massachuetts, had applied to enter the program.

Representative B.F. Sisk (D-California) introduced legislation on January 10, 1967 (H.R. 1268 and H.R. 1269) to permit the distribution of commodities in areas operating a Food Stamp Program. Representative Henry B. Gonzalez (D-Texas) introduced a similar bill, H.R. 10832, on June 14, 1967.

On January 25, Representative Joseph P. Vigorito (D-Pennsylvania) reintroduced his bill to permit certain retired persons 65 years of age or over to participate in the Food Stamp Program, H.R. 3817.

In 1967, new authorization was needed to continue the program after June 30, 1967. The Johnson administration asked the Congress to extend the program permanently and leave open the authority for annual appropriations, that is, not to specify an authorization ceiling. The bill was introduced in the House as H.R. 1318 by Representative Leonor Kretzer Sullivan (D-Missouri) on January 10 and in the Senate as S. 953 by Senator Robert C. Byrd, (D-West Virginia) on February 9, 1967.

The Senate Committee on Agriculture and Forestry reported food stamp legislation, S. 953, on May 24, after having conducted a hearing on April 25. The bill, as reported, provided an authorization of appropriations for 3 fiscal years—$200 million in fiscal year 1968, $225 million in 1969, and $250 million in 1970.

The Senate committee placed in the authorization bill a stipulation that the program be financed solely by funds from the Treasury's general funds, thus prohibiting use of funds under section 32 of Public Law 74-320. Section 32 had provided the authority for the earlier, 1939-43, program as well as for the pilot program. The President's fiscal year 1968 budget proposed to transfer $195 million from section 32 funds for the program during fiscal year 1968. A similar request in the fiscal year 1967 budget was approved in 1966 by the House, but was denied by the Senate and was not included in the final version of the fiscal year 1967 Agriculture Appropriations bill (H.R. 14596, Public Law 89-556).

The Senate passed S. 953 on May 31, 1967, by voice vote and without controversy.

The House Agriculture Committee held hearings on March 15 and 16 on H.R. 1318, the House version of the administration bill. On April 12, the committee reported the administration's bill with amendments which extended the program for only 1 year instead of permanently, as requested by the administration; authorized a flat sum of $195 million for fiscal year 1968 instead of removing the ceiling on funding, and required that beginning July 1, 1969, States participating in the program pay 20 percent of its costs. The vote in committee was 19 to 14 for reporting the bill.

During general House debate on May 15, Representative W.R. Poage (D-Texas), the chairman of the Agriculture Committee, outlined the options available to the House. These consisted of continuing the program unchanged, eliminating the program, or continuing the program with a short authorization and with effective legislative limitations. Representative Poage described the third option, which he supported, as follows:

> We should continue the program because it is in our opinion, doing a good job, but that we would be ill advised simply to turn it loose with no effective legislative limitations on the way it is to be administered and no limit as to time it is to continue without legislative review and with no effective requirement as to cooperation on the part of the States.

Representative Sullivan concurred that three approaches were available to the House, but described the committee's approach as follows:

> To continue the program, but under such legislative and budgetary handicaps that my State, I am sure, and the States of most of the other Members of the House who have food stamp projects in their districts would not or could not participate if the committee amendment (dealing with cost-sharing) is enacted.

The 20-percent cost-sharing provision again attracted a great deal of attention and debate in the House, as had the 50-percent State cost-sharing requirement contained in the 1964 committee-reported bill.

Representative Thomas S. Foley (D-Washington) said the cost-sharing provision would render the program "largely inoperative" because many States would be unable to come up with the necessary funds.

Representative Foley and other opponents of cost-sharing argued that inasmuch as several States were already not participating, they would be even less likely to do so under a cost-sharing mechanism, and that such a requirement might cause States that were operating Food Stamp Programs to eliminate them.

Several members emphasized that without a State financial contribution, a State would not be as diligent in administration of a program financed entirely by the Federal Government.

Chairman Poage stated:

> No State is going to be very careful about the certification of beneficiaries if additional beneficiaries can be put on the rolls with no cost to the State or local governments. The members of the Agriculture Committee feel that common business judgment requires that there be a contribution by the States if we are to avoid future scandals.

Representative Page Belcher (R-Oklahoma), ranking Republican on the Agriculture Committee said:

> It is my opinion that we will not have nearly as many freeloaders if the proposed (cost-sharing) program is adopted, because if they have to contribute to the extent of paying $1 out of every $5, the States will make sure that these people are actually eligible for participation under the program.

Representative Catherine May (R-Washington) noted:

> The States have at their disposal nearly every means of raising revenues that is possessed by the Federal Government. More important, State and local cost sharing will bring greater local responsibility and control into the operation of this program.

Representative Robert Dole (R-Kansas) noted, in support of the cost-sharing provision, a Library of Congress study which showed that even at 80 percent Federal funding, the Federal contribution would be higher than in other Federal welfare programs, in which States bore a part of the costs.

Representative Sullivan questioned whether States should be required to pay 20 percent of the cost of farm subsidies that the Federal Government pays.

Representative Foley noted that no cost-sharing provision existed for the commodity distribution program. Representative Albert H. Quie (R-Minnesota) responded:

> Of course, the Federal Government already owns these commodities and therefore is making them available to the poor people of the communities. The Federal Government does not already own all of the commodities under the Food Stamp Program.

When pressed about the evidence that States were not doing a diligent job, Chairman Poage responded:

> I am 67 years old and * * * I do not have to have anyone testify to the effect that people will spend other people's money much more readily than they will spend funds to which they have to contribute even a small part themselves.

The House first accepted the committee-reported cost-sharing amendment by a teller vote of 141 to 120, but then rejected it by a rollcall vote of 173 to 191 on June 8, 1967.

The Agriculture Committee amendment limiting the appropriations authorization to only fiscal year 1968 was agreed to by a 148 to 91 teller vote. Just prior to that vote, the House rejected by a 90 to 143 teller vote an amendment by Representative Fernand St Germain (D-Rhode Island) which would have authorized additional appropriations of $275 million for fiscal 1969 and $350 million for 1970.

The House rejected on a voice vote an amendment by Representative William F. Ryan (D-New York) to authorize the Secretary of Agriculture to waive minimum purchase requirements for families with very low, or no, income.

Representative Page Belcher (R-Oklahoma) offered a recommittal motion to kill the bill, but it was rejected by voice vote. The bill then passed 230 to 128.

After more than 3 months of sporadic meetings, House-Senate conferees on the food stamp bill were deadlocked, and on September 19, 1967, filed a conference report stating they were unable to agree. However, Senator Allen J. Ellender (D-Louisiana), chairman of the Committee on Agriculture and Forestry and floor manager of the food stamp bill, offered an amendment to authorize a 2 year food stamp extension, $200 million in fiscal year 1968 and $225 million in fiscal year 1969. His amendment was adopted by voice vote in the Senate. Later in the day, by a 196 to 154 rollcall vote, the House concurred with the 2-year reauthorization. On September 27, President Johnson signed the bill into law (Public Law 90-91).

Pressure had also been brought to bear in the House in 1967 through the linkage again of the Food Stamp Program with another agriculture bill, this time peanut legislation. The bill, H.R.

11565, provided a 2-year extension on the sale, lease or transfer of acreage allotments for peanuts among farms within any one county. The bill was supported by some who had opposed the food stamp bill. The bill was considered under a suspension of the rules, which requires a two-thirds majority for passage, on August 21. The bill failed to gain two-thirds by a 208 to 146 vote. Representative Leonor Kretzer Sullivan objected to the 2-year authorization in the peanut bill. Representative Sullivan pointed out that the food stamp bill had been stalled in conference with the Senate since June 8 due to insistence of conferees from the House committee that the program be authorized for only 1 year. She argued that the committee demanded annual review of the Food Stamp Program; it should follow the same policy with regard to the Peanut Program. (NOTE.—On November 6, after the disposition of the food stamp bill on September 19, the peanut bill was approved 256 to 57.)

The appropriation for the Food Stamp Program for fiscal year 1968 was set at $185 million, in H.R. 10509, which passed on October 10, becoming Public Law 90-113.

## 1968

### *Fiscal year 1969 appropriations*

In 1968, President Johnson requested that the fiscal year 1969 authorization for the Food Stamp Program be increased from $225 million to $245 million. The fiscal year 1969 budget requested the full $225 million and noted that an additional $20 million appropriation would be requested later if the authorization was increased.

Congress approved the full $225 million in the fiscal year 1969 agriculture appropriations bill, H.R. 16913 (Public Law 90-463), signed into law August 8, 1968. The fiscal year 1969 appropriation reversed 2 previous years' action by revising the prohibition on the Secretary's authority to use section 32 funds. An amendment by Senator Jacob K. Javits (R-New York) to delete the limitation was adopted 31 to 30 on May 29, during Senate consideration of the agriculture appropriations bill. The conference version permitted the Secretary of Agriculture to use up to $45 million in section 32 funds for special child feeding and nutritional programs for needy children from low-income families, including the Food Stamp Program.

During floor consideration of the appropriations bill on May 1, Agriculture Appropriations Subcommittee Chairman Jamie Whitten (D-Mississippi) noted the following findings from the Appropriations Committee's surveys and investigations staff with regard to the operation of the Food Stamp Program:

> First. Inadequate interviews by caseworkers, submission of incomplete applications, and failure to include income for all members of households.
>
> Second. Inadequate indentification of participants. In one instance, the same person acted as a proxy for 969 recipients and purchased food stamp coupons having a value of $53,128 for which he paid $36,892 and received bonus coupons valued at

$16,237. The coupons were never in possession of any of the recipients.

Third. Despite the disqualification of 148 retailers in 1967, there were only 29 criminal prosecutions in the past 3 years.

Representative Whitten added, "These conditions need to be corrected to preserve the integrity of the program and to assure maximum operating economy. The funds placed in reserve ($25 million of the $225 million) should not be used until such corrections have been made."

Representative Sullivan emphasized that the money appropriated for the program was helping recipients to receive a well-balanced diet, and noted that while the cost ($6.20 per person per month) was higher than under the commodity distribution program ($4.39 per person per month), "the difference is the difference between night and day. Under direct distribution, you merely hand out whatever limited foods are in surplus, and it is impossible for any family to enjoy a well-rounded diet, or to avoid malnutrition, by depending on these foods. Yet many families do try to exist 'on the commodities'. On the other hand, not only the money provided by the Federal Government, but the very substantial amounts each family contributes out of its own resources for participation in the Food Stamp Program, together go to the purchase of an adequate diet."

*Authorizing legislation*

In addition to establishing appropriated levels, Congress took action to raise the authorization ceilings.

In the Senate, the Senate Committee on Agriculture and Forestry reported the administration's bill to increase the authorization from $225 million to $245 million. S. 3068, without amendment on May 16, and the bill was passed by the Senate on May 17 by voice vote. Senator Allen J. Ellender (D-Louisiana), chairman of the Senate Committee on Agirculture and Forestry, had introduced the bill on March 1, 1968. Senator Robert C. Byrd (D-West Virginia) introduced a bill, S. 2479 on May 13, 1968, to continue the program through fiscal year 1972, and to eliminate the authorization ceilings. The bill was similar to a bill introduced by Representative Sullivan.

On May 16, several Senators introduced their own bill to expand the Food Stamp Program. Senator Walter F. Mondale (D-Minnesota), Philip Hart (D-Michigan), and Gaylord Nelson (D-Wisconsin) introduced S. 3507 in response to findings from the Citizen's Board of Inquiry. (See later description.)

The House Agriculture Committee held hearings on June 11/13 on various bills, including S. 3068, extending and expanding the Food Stamp Program. Representative W.R. Poage (D-Texas), chairman of the House Committee, had introduced the administration's bill, H.R. 15896, on March 12, 1968. Representative Sullivan also introduced the bill as H.R. 15900 the same day. Representative Sullivan introduced another bill on March 12, 1968, which provided an open-ended authorization for fiscal years 1969–72, H.R. 15901. In order to demonstrate widespread support for an open-ended authorization, Representative Sullivan reintroduced the legislation with 107 cosponsors on June 6, 1968, H.R. 17721–17725. (Note.—Separate bills were needed because at the time, the maximum number of cosponsors permitted on a bill was 25.) Additional sponsors were added with the introduction of H.R. 17786 on June 11, 1968 (14 cosponsors) and H.R. 17916 on June 17, 1968 (8 cosponsors).

Proponents of the Food Stamp Program who believed the program should be expanded and extended for several years pressured the Rules Committee to delay action on the administration's bill extending farm programs (H.R. 17126) until the Agriculture Committee reported a food stamp measure. (The farm bill remained in the Rules Committee until early in July.) On July 1, the Agriculture Committee reported a clean bill, sponsored by Representative Catherine May (R-Washington), H.R. 18249, expanding the Food Stamp Program and increasing the fiscal year 1969 authorization from $225 million to $245 million. The committee had rejected by 4 to 26 a motion by Representative John G. Dow (D-New York) to adopt Representative Sullivan's open-ended authorization for fiscal years 1969–72. The committee on June 26 approved the $245 million 1-year ceiling by a 19 to 13 vote.

Before approving the new ceiling, the committee amended the program to prohibit college students or strikers from obtaining food stamps unless they were eligible for them before striking or entering college. Supporters of the amendment argued that by permitting strikers to purchase food stamps, the Federal Government was supplementing union strike funds and helping to prolong strikes by minimizing a major incentive for reasonable settlement. Others complained that "hippies" and married college students, regardless of their parental resources, were receiving food stamp benefits.

The clean bill, H.R. 18249, was considered on the House floor on July 29, 1968.

Representative Sullivan offered her substitute amendment to the committee-reported bill to provide for an open-ended authorization for fiscal years 1969–72.

In support of the amendment, Representative Sullivan said that the increased authorization in the committee bill was "completely inadequate." She indicated that the modest increase in authorization even if fully appropriated (the previous year's appropriation had been $185 million) was insuffīcent to permit further expansion to areas desiring the program. She also criticized the 1-year authorization in the committee's bill. "What the committee seems to want is the annual privilege of killing the Food Stamp Program by taking no action at all."

Much discussion centered on charges that the program was a "giveaway" welfare program. Representative Sullivan countered that the program was serving to supplement diets, noting that 62 percent of food stamp costs were paid by recipients (with the balance funded by the Federal Government). The average purchase requirements, she said, ranged from 39 percent in Mississippi to 73 percent in Michigan.

Representative Page Belcher (R-Oklahoma) noted that purchase prices had declined and predicted "sooner or later there will not be a charge to anybody in this program."

Representative Charles M. Teague (R-California) proposed an amendment to the Sullivan substitute amendment to prohibit college students or strikers from buying food stamps unless they were eligible for them before striking or entering college. The Teague amendment had been reported as part of the Agriculture Committee's bill, but would have been stricken by adoption of the Sullivan substitute amendment. The Teague amendment was adopted by a 150 to 134 teller vote, after losing 85 to 86 on a standing vote.

The bill also required the Secretary of Agriculture to submit an annual report to Congress on operation of the Food Stamp Program.

The House rejected by voice vote an amendment by Representative Charles E. Bennett (D-Florida) to require the Secretary of Agriculture to determine "all persons in danger of death from starvation in the United States, its trust dependencies and Puerto Rico" and to provide them with emergency food.

The Sullivan substitute amendment was then passed first by a 151 to 138 teller vote and subsequently by a 227 to 172 rollcall vote. The open-ended authorization for the program left to the Appropriations Committees of the House and Senate the determination of the level of food stamp funding until fiscal year 1973. The final version of the bill was adopted by a recorded vote of 315 to 83.

In conference with the Senate, conferees agreed to extend the Food Stamp Program until December 31, 1970, to expire simultaneously with the farm bill—a compromise between the 1-year House bill, and the 3-year Senate bill. Authorization ceilings were reimposed—$315 million for fiscal year 1969, $340 million for fiscal year 1970, and $170 million for the first half of fiscal year 1971. The conferees deleted the Teague amendment dealing with strikers and college students.

The House considered the conference report on September 25, 1968. Representative Teague offered a motion to recommit the report with instructions to insist on the provision prohibiting participation by strikers and students, but the motion was defeated by a rollcall vote of 159 to 187. The conference report was then adopted 245 to 98.

The Senate adopted the conference report the next day by voice vote, and sent the bill to the President, who signed it October 8 (Public Law 90-552).

The linkage of food stamp legislation with farm legislation continued in 1968. The farm bill legislation was also passed in the House on September 25.

*Fiscal year 1969 supplemental appropriations*

Subsequently, the Congress added $55 million to the $225 million appropriation for the Food Stamp Program. The first supplemental appropriations bill, H.R. 20300 (Public Law 90-608), provided for $55 million, bringing the total for fiscal year 1969 to $280 million (of the $315 million which had been authorized).

The $55 million increase was a compromise figure between amounts recommended in the House and Senate bills. The House Appropriations Committee had originally reported a bill with a $20 million increase, the amount originally sought by the Johnson administration. However, later in the year, the administration indicated that a $90 million supplemental appropriation would be necessary to expand program participation to those areas seeking it.

Representative Neal Smith (D-Iowa) offered an amendment on October 9, 1968, to increase the amount from $20 million, as reported by the committee, to $90 million. However, Representative William Natcher (D-Kentucky) proposed a compromise of $40 million, which was adopted. The Senate Appropriations Committee recommended the full $90 million amount, which was approved in the Senate. The $55 million figure emerged from the conference.

*Reports of hunger*

Much attention was focused on the Food Stamp Program in 1968 as a result of advocacy outside of Congress and the administration. The Citizens Board of Inquiry into Hunger and Malnutrition in the United States in an April 22 report, "Hunger, USA," was highly critical of all Government food aid programs. The Board had been formed at the request of Walter Reuther, president of the United Automobile Workers, in his capacity as chairman of the Citizens Crusade Against Poverty and followed reports of cases of malnutrition among poor Mississippians.

The report said over 300 of the poorest counties in the United States had no food assistance programs of any kind and that between 10 million and 14.5 million Americans were seriously underfed. The Board criticized the Agriculture Department's administration of food programs. Specifically, the Board recommended providing some food program (either food stamps or commodity distribution) in every county; eliminating restrictive eligibility requirements; providing adequate quantities and varieties of food necessary to ensure proper nutrition and improving the distribution system to make foods more accessible.

The Board argued that food stamp purchase requirement prices were set at prohibitively high levels, while food stamp "bonuses"—the free, extra spending power—were set too low to provide the purchasing power necessary to secure an adequate diet. The Board urged that free food stamps be provided to families and individuals living alone who had no income or available cash. Where payment was required, the Board said, it should be low enough to promote rather than to discourage participation. Also, prices should be adjusted, the Board said, to allow for variation due to seasonal fluctuations in income. State-imposed barriers to eligibility of any person deemed poor under Federal standards of poverty should be prohibited. Eligibility procedures should be simplified, and certification for participation should be made upon the applicants' affidavit alone, so-called self-certification.

Senator Walter F. Mondale (D-Minnesota), in introducing S. 3507 on May 16, cited the Board's findings.

A May 21 documentary on CBS television presented a picture similar to that described by the Board of Inquiry.

The House Agriculture Committee issued a "Hunger Study" of its own on June 16, 1968. The committee said statements by county officials "lead to the unmistakable conclusion that there is very little actual hunger in the United States, but widespread malnutrition caused largely by ignorance as to what constitutes a balanced diet." The few instances of borderline starvation and hunger referred to in the statements were blamed mostly on parental neglect of infants, and most of those involved mentally retarded fathers and mothers, the committee added.

House Agriculture Committee Chairman W.R. Poage (D-Texas) concluded that the Board's report:

> Was quite inaccurate and misleading, to put it mildly. There seems to be little or no evidence that any substantial hunger in this country exists as the result of the refusal of assistance agencies, public and private, to give needed aid to those who are unable to work.

Washington in the summer of 1968 was also the setting for a "Poor People's Campaign" in which a "Resurrection City" of plywood and canvas campsites on the Southwest Mall was constructed. Several of the demands of the Poor People's Campaign involved the Food Stamp Program. They urged initiation of a food program in the 1,000 neediest counties. By October 1968, food programs had been initiated in each of these counties.

The Poor People's Campaign urged free food stamps for the lowest income families and the lowering of food stamp purchase prices generally. The statute specifically precluded free food stamps, but Department officials indicated that lower stamp prices were being considered (and these were lowered effective January 1970).

In other nutrition-related legislation, the House on July 15 voted to establish a Presidential Commission on Hunger to study the extent of hunger and malnutrition in the United States (H.R. 17144), adopted by a 164 to 59 standing vote, but no action was taken on such a commission by the Senate. Subsequently the Senate voted by voice vote on July 30 to establish a 13-member Select Committee on Nutrition and Human Needs. The committee, to include members of the Committees on Labor and Public Welfare and on Agriculture and Forestry, was to report by June 30, 1969, on hunger in America. Senator George S. McGovern (D-South Dakota) was named as chairman of the select committee. The select committee began an extensive schedule of hearings both in Washington and throughout the country on hunger-related problems, specifically concentrating on the Food Stamp Program.

## 1969

Much legislative activity occurred in 1969, especially in the Senate, with a net result of increasing the authorization for the Food Stamp Program while at the same time laying the groundwork for additional activity in 1970.

On May 6, 1969, President Richard M. Nixon sent a request to Congress for an increase of $270 million in fiscal year 1970, the current fiscal year for the Food Stamp Program and a $1 billion increase beginning in fiscal year 1970. The President also proposed that families with incomes of less than $30 a month receive free food stamps (that is, with no purchase requirement) and that a family be able to purchase a minimum amount of food stamps a month ($100 for a family of four) and not be required to spend more than 30 percent of its income on food stamps. In February, the administration had announced a pilot project on the free distribution of food stamps to persons with incomes under $30 a month in two South Carolina counties. Prior to this point, individuals and families were required to pay some amount for their monthly food stamp coupons, regardless of how low their income. One of the issues raised in the previous year had been that of exempting certain low-income recipients from the "purchase requirement."

In announcing his food stamp proposals, President Nixon declared, "That hunger and malnutrition should persist in a land such as ours is embarrassing and intolerable * * *. The moment is at hand to put an end to hunger in America itself for all time."

The administration's bill, was submitted to Congress on June 6, and contained a further provision to guarantee participation by all counties in the country in Federal food programs. Every State would be required to adopt a plan by June 30, 1970, for participation by all its communities in either the Food Stamp or Direct Commodity Distribution Programs, or face the loss of the programs in any communities in which they were operating. Prior to this point, participation by States and localities had been voluntary. Of the 3,129 independent cities and counties in the country, 414 had neither a Food Stamp nor a Direct Distribution Program in June 1969.

The administration's proposal also contained a provision to authorize the Secretary of Agriculture to establish a uniform nationwide income limit as a basis of eligibility for Food Stamp Program participation. From the program's pilot project and legislative beginnings, State and local governments had set income limits for participation in the program, with eligibility standards varying from State to State.

The Senate Committee on Agriculture and Forestry held hearings on May 22, 23, 26, and 27 on five food stamp bills. S. 6 had been introduced by Senator Walter Mondale (D-Minnesota) on January 15, 1969. Senator Joseph M. Montoya (D-New Mexico) introduced S. 339 on January 16, 1969 and S. 1608 on March 20. Senator Herman E. Talmadge (D-Georgia) introduced, S. 1864 on April 18. Senator George McGovern (D-South Dakota) introduced S. 2014 on April 29, with 31 cosponsors.

The Senate bills differed primarily in the provision of free food stamps. The administration had proposed that those with incomes under $30 a month should receive free food stamps. Proposals ranged from that point to $40 a month (Talmadge), to $80 a month (McGovern), to incomes under the official poverty level set by the Office of Economic Opportunity (Mondale). Under the latter approach, the amount would vary depending on household size. For a family of four, as an example, free food stamps would be provided to those with income under $296 per month.

The bills also differed in the length and level of reauthorization. The Nixon administration recommended an open-ended authorization for the Food Stamp Program for fiscal years 1971 through 1973.

On May 27, the administration announced the formulation of a new Food and Nutrition Service in the Department of Agriculture to coordinate child and adult food programs, including the Food Stamp Program.

The administration's bill, S. 2370, was introduced in the Senate on June 12, 1969, by Senators George D. Aiken (R-Vermont), Milton R. Young (R-North Dakota), Marlow W. Cook (R-Kentucky), Carl T.

Curtis (R-Nebraska), James B. Pearson (R-Kansas), and Everett Dirksen (R-Illinois). The legislation was introduced in the House on June 17 by Representative Catherine May (R-Washington) and 33 cosponsors as H.R. 12222 and H.R. 12223.

The Senate Committee on Agriculture and Forestry dealt with the administration's food stamp proposals in a two-step fashion. On June 20, the committee reported a measure, Senate Joint Resolution 126, increasing the fiscal year 1970 food stamp authorization from $340 million to $750 million, $140 million more than requested by the Nixon administration. The joint resolution passed the full Senate on June 24 by voice vote.

The House Agriculture Committee took no action on the Senate authorization bill (S.J. Res. 126), but rather reported its own bill, House Joint Resolution 934, on October 14, by a vote of 25 to 4. The House committee bill contained an authorization of $610 million for fiscal year 1970, the amount requested by the Nixon administration. The House passed the bill November 5, 1969 by voice vote, under suspension of the rules, with no amendments permitted. The Senate passed the bill the next day by voice vote; the bill became Public Law 91-116.

*Fiscal year 1970 appropriations*

The decision on a fiscal year 1970 authorization level also cleared the way for final action on the agriculture appropriations bill. The Senate appropriations bill, H.R. 11612, with a $750 million appropriation for fiscal year 1970; the House had included a $340 million appropriation. Conferees on that bill had decided on a $610 million appropriation, but needed to await an increase in the authorization. The House acted on the agriculture appropriations conference report on November 19, 1969, approving the measure by voice vote. The Senate cleared the measure by voice vote later the same day; the bill became Public Law 91-127.

Several bills were introduced in the House relating to the Food Stamp Program.

H.R. 8773, Representative Paul Findley (R-Illinois), March 12;

H.R. 8812, Representative Benjamin S. Rosenthal (D-New York), March 12;

H.R. 10468, Representative Bertram Podell (D-New York), April 23; and

H.R. 10650, Representative Howard W. Robinson (R-New York), April 28.

Represenative Leonard Farbstein (D-New York) introduced H.R. 10728 on April 30, a companion bill to Senator McGovern's S. 2014.

Much legislative activity in 1969 surrounded a proposal to permit elderly food stamp recipients to use their coupons to buy meals from private nonprofit organizations, primarily "Meals on Wheels," which provided daily delivery of meals at a low cost, or organized "on-site" feeding programs. Senator Hugh Scott (R-Pennsylvania) introduced S. 2470, with 14 cosponsors, on June 24 under which elderly persons would be able to use food stamps to pay for meals delivered to them at home. A total of 33 Senators eventually cosponsored the Scott bill. Companion legislation was introduced in the House (the same day) by Representative Edward G. Biester, Jr.

(R-Pennsylvania), H.R. 12340, and Representative Joseph M. McDade (R-Pennsylvania), H.R. 12384. Representatives Biester and McDade, and Representative Thomas Foley (D-Washington) and Representative William A. Steiger (R-Wisconsin) introduced bills H.R. 14387–14390 with 74 cosponsors on October 16, 1969, after the provision had been included in the Senate bill. Representative Biester subsequently reintroduced the bill with a total of seven additional cosponsors as H.R. 14401 on October 20, H.R. 14492 on October 23, and H.R. 14726 on November 6. Representative Bertram Podell (D-New York) introduced similar legislation, H.R. 12655, on July 8, as did Representative Donald M. Fraser (D-Minnesota), H.R. 14694 on November 5.

Other food stamp bills included:

H.R. 10967, Representative Catherine May (R-Washington), May 6, 1969;

H.R. 11640, Representative Lloyd Meeds (D-Washington) and 5 cosponsors, May 26, 1969;

H.R. 12430, Representative W.R. Poage (D-Texas), June 25, 1969;

H.R. 12458, Representative Don Edwards (D-California), June 26, 1969;

H.R. 12654, Representative Bertram Podell (D-New York), July 8, 1969;

H.R. 12689, Representative Donald G. Brotzman (R-Colorado), July 9, 1969;

H.R. 13277, Representative G. V. Montgomery (D-Mississippi), August 1, 1969;

H.R. 13423, Representative Thomas S. Foley (D-Washington), with 24 cosponsors, August 11, 1969;

H.R. 14462, Representative John M. Zwach (R-Minnesota), October 22, 1969; and

H.R. 14522, Representative Joseph M. McDade (R-Pennsylvania), October 27, 1969.

Senator Ted Stevens (R-Alaska) introduced S. 2881 on September 10, 1969, to permit households in remote areas of Alaska to use food stamps to purchase ammunition;

Representative Robert W. Kastenmeier (D-Wisconsin) introduced H.R. 15116 on December 8, to permit food stamps to be issued free to those currently receiving commodities.

The Senate Committee on Agriculture and Forestry acted on comprehensive food stamp legislation shortly after reporting the bill that simply raised the fiscal year 1970 authorization level. On July 7, 1969, the committee reported S. 2547. As reported by committee, the bill contained the same authorization level for 1970 ($750 million) as in Senate Joint Resolution 126, and included authorization levels of $1.5 billion for each of fiscal years 1971 and 1972.

The bill permitted the continuation for 90 days of the Commodity Distribution Program, if the State requested it, in counties shifting to a Food Stamp Program. The bill permitted the Secretary of Agriculture to set eligibility standards for participation in the program, as requested by the administration. The bill also placed a ceiling on the purchase price of food stamps so that no family had to spend more than 30 percent of its income for the stamps. The bill did not include, however, any of the proposals to provide free food stamps for some participants. The chairman of the Senate committee, Allen J. Ellender (D-Louisiana), though a supporter of the program, opposed the concept of free food stamps. Ellender was quoted in the Congressional Quarterly as saying, "People should have to put up something, even if only a very little bit, to get the stamps." The committee bill did permit stamps to be issued free to families with no income, but with the State or local governments paying the minimum stamp charge in such cases.

The Senate considered the legislation on September 23 and 24. Senator George S. McGovern (D-South Dakota) proposed a substitute to the committee-reported bill, which was adopted 54 to 40.

Under the McGovern substitute, the authorization levels were raised over those in the committee-reported bill—to $1.25 billion for fiscal 1970, $2 billion for fiscal 1971, and $2.5 billion in fiscal 1972. Free food stamps were permitted for families with incomes of less than $60 a month. The substitute permitted the continuation of the Free Commodity Distribution Program in counties shifting to a Food Stamp Program until the latter program was in full operation. The bill also permitted recipients to use the stamps to purchase products for personal cleanliness and home sanitation as well as for food. The bill also authorized elderly persons to use food stamps for meals prepared and served by nonprofit organizations. This provision attempted to reach the needy elderly who could not use the Food Stamp Program because they did not have kitchen facilities or could not prepare meals because of illness or physical disability.

By adoption of the McGovern substitute, the Senate invalidated an earlier amendment, adopted by voice vote, by Senator George D. Aiken (R-Vermont) to permit the Secretary of Agriculture to take into consideration (in prescribing national standards) the degree to which food stamp participation might make welfare participation unnecessary.

The substitute also authorized the Secretary of Agriculture to administer (operate) the Food Stamp Program directly in areas not opting to participate.

Senator Aiken, who had introduced the first food stamp bill in the Senate in 1943, was critical of the McGovern substitute. "It (the substitute) will be an emasculation of the Food Stamp Program. As the substitute now reads, it is just a plain welfare program, with very little resemblance to the Food Stamp Program we intended it to be." A motion by Senator Aiken to recommit the bill to committee, after the adoption of the McGovern amendment, was defeated 39 to 56. The bill was then passed 78 to 14.

The discussion regarding the provision of free food stamps caused some division in the ranks of those who had been proponents of the program, such as Representative Sullivan and Senate Agriculture Committee Chairman Allen J. Ellender. Representative Sullivan, who had been one of the leading advocates for the program, did not introduce a food stamp bill in 1969. On May 14, she also voiced her strong opposition to the proposal that stamps should be provided free of charge even to the lowest income families:

> I do not endorse the idea of free stamps * * *. But I think it should be something—at least a token payment, no matter how small. At present a family with an

income of $30 a month in the South, or $20 in the North, pays 50 cents per person, up to a maximum of $3 per family, for an entire month's supply of coupons.

If there are people who do not have 50 cents for a whole month's supply of food, or a family of 6, 8, 10, or more which cannot scrape together $3 a month for a good diet, then some agency of the Federal, State, or local government, or some private charity, or some relative, or someone, has the obligation to make sure that such an individual does get his hands on 50 cents a month, or that family does get $3 somewhere, to buy enough food to eat properly for a month. This is the best food bargain in the entire world.

If people could have a blank check for a free choice of $25 worth of food per person in any grocery store each month, and pay absolutely nothing for it, irresponsible use of the stamps could destroy the integrity of the whole program. At least now, when some families use their food stamps less intelligently than they perhaps should, they are spending money of their own as well as the supplementary coupons. But if you say to low-income families that it is the Government's duty to feed them free—give them free choice of any domestic food items they want to buy in the grocery store without any charge to them—who could justifiably complain if the recipients then spent whatever money they had of their own for whisky, beer, cigarettes, gambling, or anything else? After all, it would be their money to spend as they please without having to worry about using any of it to buy food, because the Government has to give them all the food they need.

How do we teach any sense of personal financial responsibility, to people who need such instruction, if they are entitled by right and by law to all the food they require for good nutrition regardless of how they spend, or waste, their own funds?

I realize we are talking now about very little money in relative terms. So few families would qualify for free food stamps that the total dollar cost would be low in a program of this magnitude. But the moral cost would be high, I am afraid.

The House Agriculture Committee voted down proposals to provide free food stamps to the lowest income recipients on December 10. The committee then turned to consideration of H.R. 12222, which provided an open-ended authorization for fiscal years 1971–73. The committee approved, by a 24 to 3 vote, an amendment permitting elderly disabled persons to use food stamps for "Meals on Wheels" delivered to them by private nonprofit organizations. By a vote of 21 to 7, the committee on December 15 approved a proposal to require each participating State to pay 10 percent of the bonus—that is, nonpurchased—value of the stamps. However, on December 17, the committee postponed any further action until 1970.

On December 2–4, 1969, the White House Conference on Food, Nutrition and Health, was held. The White House announced on December 4 that Food Stamp Programs would be set up in counties with no Federal food programs.

In late 1969, the Nixon administration decided, apparently because of what it perceived to be congressional and public concern over what was then viewed as the low participation rate in the program, that two substantive changes would be made in the system of determining benefits, both to be effective January 1970.

The two separate benefit schedules (one for the Northern and Western States and a lower one for the Southern States) were merged into a single allotment schedule at the higher level. Additionally, "purchase requirements" were reduced for all households, thereby resulting in increased monthly allotments in many instances.

The result of the two actions was a substantial increase in the average and maximum benefit levels. Whereas, average benefits had been $6 to $7 per person per month under the pre-1970 rules, they climbed to about $10 to $11 per person per month under the new, unified system in 1970. Correspondingly, program costs rose as benefits increased and more States chose to enter the program due to more attractive benefits. Fiscal year 1970 costs ($610 million) more than doubled those of fiscal year 1969 ($280 million).

By the end of fiscal year 1970, the Food Stamp Program was operating in about 1,750 project areas, up from under 1,500 in fiscal year 1969. Participation had increased from just under 2.9 million persons a month to an average of 4.3 million persons.

## 1970 AMENDMENTS

In late 1970, Congress enacted the first major amendments to the Food Stamp Act of 1964, acting on a 1969 Nixon administration request for new legislation.

The House Agriculture Committee did not resume consideration on comprehensive food stamp changes until mid-1970. On August 10, the committee reported a clean bill, H.R. 18582, to extend the program for 3 years through fiscal year 1973 and provide an open-ended authorization for the program by a vote of 28 to 2.

The committee-reported bill:

> Provided that eligible households should be charged no more than 30 percent of the household's income or less than 50 cents per person per month for food stamps.
>
> Required able-bodied adults to register for, and if available, accept employment as a condition of eligibility for their households to receive food stamps.
>
> Authorized local areas to operate simultaneously both Food Stamp and Surplus Commodities Programs, but precluded individual participants from receiving benefits from both programs.
>
> Directed the Secretary of Agriculture in conjunction with the Secretary of Health, Education and Welfare to establish uniform national standards for participating households.
>
> Authorized persons 60 years of age or older who were participating in the program to use stamps to purchase meals delivered to them by nonprofit organizations or local government agencies, so-called Meals-On-Wheels Programs.
>
> Directed State agencies to initiate education programs designed to inform potential participants of the program, that is "outreach" programs.
>
> Required participating States to begin financing a portion of the Food Stamp Program. The rate of State contribution was to begin at 2.5 percent of costs, and increase by 2.5 percent increments annually until the fourth year when, at 10 percent, the rate would be constant.

After the bill was reported, however, it became tied up in the Rules Committee, until December 1, 1970, at which time a rule for floor consideration was granted which also permitted other amendments to be considered, including an amendment incorporating the text of, H.R. 19889, sponsored by Representative Thomas S. Foley (D-Washington) and Representative Albert H. Quie (R-Minnesota), which was introduced that day. (Forty additional cosponsors were added when the bill was reintroduced as H.R. 19902 on December 2, H.R. 19916 on December 7, and H.R. 19923 on December 8.)

The Foley-Quie approach provided free food stamps for families with monthly incomes under $30 and stipulated that families with monthly incomes under $167 should be charged no more than 25 percent of their income for food stamps. All other eligible households were to be charged no more than 30 percent of their income.

The House considered food stamp legislation on December 16, 1970. The Foley-Quie substitute was offered on the floor. Before a vote could be taken, an amendment to the substitute was proposed by Representative Watkins M. Abbitt (D-Virginia). The Abbitt amendment restored the language of the committee bill with three changes: First, it banned food stamps to striking workers and their families, second, it changed the State cost-sharing provision by postponing the effective dates by one year, and third, it deleted from the bill language which permitted unspent appropriations to be made available from one year to the next.

Representative Abbitt argued that the work of the committee should be considered prior to the Foley-Quie amendment. Two amendments were offered to the Abbitt substitute. An amendment to delete the State cost-sharing provisions was offered by Representative Tom Railsback (R-Illinois).

Representative Railsback argued that the committee's cost-sharing provision "is a surprise attack upon the treasuries of the various States and it is not made acceptable by virtue of the fact that the attack comes in stages." Several Representatives stated that the Federal Government did not have the financial resources to continue the Food Stamp Program without a State contribution. Said Representative George W. Andrews (D-Alabama), "I doubt that there is a State in the Union which is in as bad a financial condition as the Federal Government."

The Railsback amendment was defeated by voice vote.

An amendment by Representative Richard C. White (D-Texas) to provide that only bona fide residents of a political subdivision of the United States would be entitled to food stamps was adopted by voice vote. He said his amendment was intended to stop workers living in Mexico from crossing the border to receive food stamps.

The Abbitt amendment, as amended by the White amendment, was first defeated by a 57 to 58 standing vote and then adopted by a 199 to 116 teller vote. Under the parliamentary rules in the House, a vote on the amendment (by Abbitt) to the substitute had to come before a vote on the substitute itself (by Foley-Quie). Acceptance of the Abbitt amendment, in effect, killed the Foley-Quie approach.

The House then passed the Foley-Quie substitute, as amended by the Abbitt amendment, by a 106 to 79 standing vote and then by a 133 to 116 teller vote. These votes foreclosed the possibility of a direct vote on the Foley-Quie approach.

However, on a demand for a rollcall vote on the amendment to the committee bill prior to final passage, the House defeated the amendment by a 172 to 183 vote. Thus, no amendments to the committee-reported bill had been adopted, and the committee-reported bill was then passed without any amendment by a 290 to 68 rollcall vote.

The House and Senate conferees then met to resolve differences between the House-passed bill and S. 2547, the Senate food stamp bill which had passed in 1969. On December 22, the conferees reached agreement.

Under the final version, the Food Stamp Program was reauthorized for 3 years, at an authorization level of $1.75 billion for fiscal year 1971 and with open-ended authorization for fiscal years 1972 and 1973.

One of the most controversial sections of the conference agreement dealt with the work requirement imposed in the House bill. In the final version, the provision was modified to require that able-bodied recipients would be required to accept a job unless the wage was less than (1) the applicable Federal or State minimum wage, (2) the applicable wage established by Federal regulation, or (3) $1.30 an hour if the job was not covered by Federal or State minimum wages or regulations. The $1.30 figure represented the minimum wage for farm workers subject to a minimum wage; $1.60 was the nonfarm minimum wage.

The 1970 amendments also accepted the administrative changes which had been announced in late 1969 which had resulted in uniform and higher allotment schedules and lower purchase requirements, thus larger benefits. Additionally, the amendments made other substantial changes in the law that significantly liberalized the program.

Food stamp allotments were to be annually indexed to the rate of food-price inflation. This automatically increased benefits annually since purchase requirement levels were left untouched. Income eligibility standards were also indexed (to food price inflation) so that these eligibility standards also automatically escalated with food-price inflation. The indexing provision, not included in either bill, was a compromise between the establishment of basic food stamp benefits at $106 per month for a family of four in the House bill as opposed to $134 per month in the Senate bill. The compromise assumed $106, but provided for annual indexing. The indexing provision would prove to have larger budget implications than were anticipated at the time.

Eligibility standards were removed from State determination and required to be federally established and nationally uniform. These standards were not specified in the law, but were to be established by the Secretary of Agriculture in outlying territories.

Puerto Rico, Guam, and the Virgin Island were allowed to enter the program if they so chose. (NOTE.—Puerto Rico would later grow to have the largest Food Stamp Program, both in terms of total dollars spent and in percentage of the population participating in the program.)

Other minor changes also served to expand the program. For example, the 1970 amendments made generally applicable an earlier administrative decision to give food stamps without charge to some households with very low incomes—less than $30 a month. Prior to this, all households, no matter how poor, except those in the pilot project areas already exempt, had to spend some of their income to purchase food stamps. Additionally, the legislation ratified the earlier administration actions standardizing benefits and lowering purchase requirements, with a maximum of 30 percent. The bill also mandated that States withhold the food stamp purchase price from an AFDC grant for those recipients who wished to purchase food stamps.

The 1970 amendments made a major departure from the previous policy of allowing food stamps to be used only for food items. In effect, the provision in the 1970 act revised the statute to permit incapacitated elderly food stamp recipients to use the food stamps to purchase home-delivered meals (so-called meals-on-wheels).

The result of this legislation was another substantial increase in food stamp costs and participation as benefits rose, eligibility was expanded, and geographic coverage increased.

The annual indexing of allotments increased average benefits from $10 or $11 per person per month in fiscal year 1970 to $13 or $14 per month in 1971. Average monthly participation climbed from 4.4 million persons in fiscal year 1970 to 9.4 million persons in 1971 as the number of localities operating the program jumped by 275 to over 2,000 project areas, and uniform indexed income eligibility rules raised eligibility standards in many States.

The House considered the conference report on December 30. Prior to final passage, Representative Thomas S. Foley (D-Washington) indicated his intention to recommit the report to the conference committee with instructions to delete the provision of the bill requiring food stamp recipients to accept any jobs offered to them provided the jobs paid at least $1.30 an hour. Representative Foley's motion was foreclosed when the House agreed by a 148 to 126 rollcall vote to move the previous question, thus ending debate on his motion. The House then passed the conference report by voice vote; the Senate passed the conference report the next day. Because the bill was signed into law on January 11, 1971, Public Law 91-671, the legislation is sometimes referred to as the 1971 amendments, but more often as the 1970 amendments.

Other bills introduced in 1970 were:

S. 3891, Senator Ralph T. Smith (R-Illinois), May 27, 1970;

S. 4505, Senator Strom Thurmond (R-South Carolina), November 17, 1970, to prohibit food stamps for strikers;

H.R. 16395, Representative Leonard Farbstein (D-New York), dealing with the elderly and meals on wheels, March 11, 1970; and

H.R. 17944, Representative Leonor Kretzer Sullivan (D-Missouri), on June 4, 1970.

Appropriations for the Food Stamp Program during fiscal year 1971 had been determined in December 1970, also. The House had passed an agriculture appropriation bill, H.R. 17923, on June 9, which included $1.25 billion for the Food Stamp Program, the amount requested by the administration. During Senate consideration of the bill, on July 8, Senator George S. McGovern (D-South Dakota) proposed an amendment to increase the appropriation by $500 million, to $1.75 billion, which was adopted 43 to 28. Senator McGovern argued that food stamp participation had increased from 3.5 million to 6 million in the first months of 1970, and that additional funding would be necessary to permit further expansion.

Conferees compromised at $1.420 billion, which was approved by both Houses on December 8, becoming Public Law 91-566. Interim measures had been passed to provide fiscal year 1971 funding until the authorization bill and the final appropriations bill were passed. These interim measures included Public Laws 91-294, 91-305, 91-370, and 91-454.

## 1971

From 1971 through 1973, the program continued to expand as more States and localities opted to administer the program and income eligibility standards climbed.

In May 1971, Congress approved the Nixon administration's request for a $250 million supplemental appropriation for the Food Stamp Program in the second supplemental appropriations bill, H.R. 8190, bringing total appropriations for the program to $1.67 billion for fiscal year 1971, Public Law 92–18.

As part of a comprehensive welfare reform, embodied in H.R. 1, the Nixon administration proposed in 1971 that the Food Stamp Program be "cashed out"—that is, that cash, instead of food stamp coupons, be given to recipients. The President noted, "The result would eliminate overlapping and duplication between these two programs," speaking of food stamps and welfare.

### *Legislation introduced*

Efforts continued in 1971 to eliminate the eligibility of strikers to receive food stamp benefits. Representative Larry Winn, Jr. (R-Kansas) introduced such a bill, H.R. 4274, on February 10, and reintroduced it with a total of 33 cosponsors as H.R. 7867 on April 28 and H.R. 8520 on May 18. Senator Strom Thurmond (R-South Carolina) and three cosponsors introduced a similar bill, S. 781, on February 11.

Other bills that would have eliminated strikers from program eligibility included:

H.R. 6572, Representative Ben Blackburn (R-Georgia), March 23;
H.R. 7031, Representative George A. Goodling (R-Pennsylvania), March 31; and
H.R. 7535, Representative John Ashbrook (R-Ohio), April 20.

Efforts were also made to expand food stamp eligibility for individuals residing in residential nonprofit narcotic treatment centers. (As a general rule individuals in "institutions" were—and are—not eligible for food stamp participation.) Representative Herman Badillo (D-New York) introduced such a bill, H.R. 10281, on August 2 with four cosponsors. He reintroduced the legislation as H.R. 11466 with 21 cosponsors on October 28. Other bills to permit food stamp participation by individuals in these narcotic treatment programs included:

H.R. 10559, Representative Joseph P. Addabbo (D-New York), September 9;
H.R. 10599, Representative Seymour Halpern (R-New York), September 13;
H.R. 10719, Representative Shirley Chisholm (D-New York), September 16;
H.R. 10888, Representative Bella S. Abzug (D-New York), September 27; and
H.R. 12371, Representative Claude Pepper (D-Florida), December 16.

On January 22, Representative Leonor Kretzer Sullivan (D-Missouri) introduced a resolution, H. Res. 138, to transfer responsibility for the oversight of the Food Stamp Program from the Agriculture Committee to the Committee on Banking and Currency, on which she served.

Mrs. Sullivan also introduced legislation, H.R. 4175, on February 10 to repeal the amendments to the Food Stamp Act which had passed the Congress in 1970 and been signed by President Nixon on January 11, 1971.

Several bills and resolutions were introduced to put pressure on, or require, the Nixon administration to postpone or drop the implementation of some of the announced regulations which were proposed in April 1971 to implement the 1970 amendments. As part of these regulations, national uniform standards were to be required. Critics charged that these uniform standards would result in denying eligibility to many recipients who had been receiving food stamp assistance. Recipients in States that previously had higher income eligibility levels based on their cash welfare standards would now have lower eligibility levels (established to be nationally uniform) resulting in reduced participation. On the other hand, the uniform standard generally would mean higher eligibility levels in Southern and Western States. These bills included:

S. Res. 120, Senator George S. McGovern (D-South Dakota) and 24 cosponsors, May 10;

S. Res. 181, Senator Lawton Chiles (D-Florida), October 20;

S.J. Res. 179, Senator Hubert H. Humphrey (D-Minnesota), November 30;

H.J. Res. 992, Representative Bob Bergland (D-Minnesota) and seven cosponsors, December 2; and

H.R. 1014, Representative Ronald V. Dellums (D-California), December 15.

However, some supporters of the program contended that the regulations faithfully implemented congressional intent—intent with which they had disagreed. Representative Leonor Kretzer Sullivan (D-Missouri) spoke out on May 13 on this subject, and called for support for her bill to repeal the 1970 amendments:

> As to the so-called unrealistic income limits which will now cut off hundreds of thousands of families and millions of people from eligibility in the more industrialized States, I point out that Congress required that the income eligibility standards be uniform all over the country, without regard to the obviously different standards of income in different States. So a standard that is high enough to accommodate what the people of New York regard as a barely adequate minimum income may be high enough to encompass most of the working people in Mississippi.
>
> Thus, you must decide whether to place all of the working people of Mississippi under the Food Stamp Program or knock off everyone in New York whose income exceeds the levels of neediness in Mississippi.
>
> So while it is easy to blame the Department of Agriculture for its insensitivity in setting up the new regulations, Mr. Speaker, I think we should place the blame where it belongs—right here in the Congress.

In response to the requirement for nationally uniform eligibility standards, the Department initially proposed (in its April regulations) to apply the same income and assets criteria to all households, whether they received cash welfare or not. Under such an interpretation, many welfare households that had been made eligible under the former system would become ineligible—because the nationally uniform standards were lower than the previously applicable cash welfare standards in a number of States.

The administration revised its approach in July 1971 and established dual eligibility. All public assistance (cash welfare) recipients were "categorically" or automatically eligible—regardless of the uniform income and assets standards, as long as they met all of the other nonfinancial food stamp eligibility criteria. A nationally uniform system then applied to all other, nonpublic assistance households.

Legislation was also introduced that was designed to expand the Food Stamp Program. Senator George S. McGovern (D-South Dakota) had announced on February 3, 1971, his intention to introduce a major reform bill. Said Senator McGovern:

> I propose, today, and intend to submit specific legislation in the near future, that the deadline to end hunger in this Nation be Thanksgiving of this year for needy schoolchildren and the end of June 1972 for every needy family.
>
> The President has also pledged to expand the Food Stamp Program nationwide and ultimately fund it at a level of $2.5 billion—the amount authorized in the food stamp bill passed by the Senate in September 1969.
>
> Unfortunately, the President's budget request for the next fiscal year for food stamps is only $2 billion, half a billion dollars less than is needed and an amount that will not permit any further expansion of the Food Stamp Program next year. If the Congress is serious about ending hunger in needy families, it must appropriate at least $2.5 billion for food stamps next year.

Senator McGovern and 32 cosponsors introduced S. 1773 on May 5, 1971. Senator McGovern outlined the key aspects of his bill, the "Adequate Nutrition Act of 1971," as (1) providing national coverage of the Food Stamp Program by July 1, 1972, (2) increasing monthly food stamp benefits, (3) eliminating the work requirement which had been enacted in the 1970 amendments, (4) eliminating "red tape" in the certification procedures, and permitting "self-certification" by applicants, and (5) permitting food stamps to be used by elderly citizens in group feeding centers, not just for meals-on-wheels. This bill was introduced in the House by Representative Bella S. Abzug (D-New York), first as H.R. 8883 on June 3, and subsequently, with 18 additional cosponsors, as H.R. 9596, on July 6.

Representative Patsy Mink (D-Hawaii) introduced H.R. 8460 on May 17 to permit food stamp recipients to purchase imported foods with their coupons

Also introduced in 1971 was H.R. 2456, on January 29, by Representative Harold R. Collier (R-Illinois) to expand participation among the elderly.

*Fiscal year 1972 appropriations*

During consideration of the fiscal year 1972 agriculture appropriations bill, H.R. 9270, attention again focused on the issue of whether striking employees and their families should receive food stamps during the strike. Representative Robert H. Michel (R-Illinois) proposed an amendment on June 23 to deny food stamp benefits to strikers. (A point of order against the amendment, raised by Representative O'Hara of Michigan was overruled.) Supporters of the amendment argued that workers striking against General Motors in 1970 had received more than $6 million in food stamp benefits. Opponents argued that the existing Food Stamp Program had a strict work requirement which did not need strengthening. They also argued that the Michel amendment would deprive other family members of needed food assistance simply because one household member was on strike. The Michel amendment was defeated by a 172 to 225 recorded teller vote. (Since 1970 a recorded teller vote could be demanded by one-fifth of a quorum; previously only vote totals were announced for teller votes.) The bill included an appropriation of $2,001,184,000 for the Food Stamp Program, as requested by the administration.

During Senate consideration of the bill on July 15, 1971, the Senate adopted an amendment by Senator George S. McGovern (D-South Dakota) to increase the food stamp appropriation by $498.8 million to $2.5 billion, in order to provide greater expansion in program participation. The amendment was adopted by voice vote. Conferees decided on a final compromise figure of $2.2 billion for fiscal year 1972 which was adopted (Public Law 92-73).

### 1972

#### *Fiscal year 1973 appropriations*

The primary food stamp action during 1972 was in the fiscal year 1973 appropriations bill, H.R. 15690. The House Appropriations Committee recommended $2,341,146,000. During floor consideration on June 29, Representative Neal Smith (D-Iowa) offered an amendment to add $275 million to the fiscal year 1973 appropriation, since, he said, that amount had not been used in the fiscal year 1972 appropriation. The amendment was rejected by voice vote.

Representative Robert H. Michel (R-Illinois) offered an amendment, as he had in 1971, to prohibit issuance of food stamps to a household in which a person was on strike. Opponents of the existing policy cited evidence from a new study "Welfare and Strikes: The Use of Public Funds to Support Striking Workers," to support their contention that the existing policy was costing taxpayers millions of dollars. The study, conducted by researchers at the Wharton School of Finance and Commerce, said that the cost of this policy was almost $240 million annually. The amendment was defeated by a 180 to 199 recorded teller vote.

During Senate consideration of H.R. 15690 on July 27, Senator Hubert H. Humphrey offered an amendment to add $500 million to the House-passed food stamp appropriation, but then modified his amendment to bring the appropriation to $2.5 billion. The modified amendment was adopted by voice vote. The $2.5 billion figure for fiscal year 1973 was adopted by the conference, becoming law as part of Public Law 92-399.

#### *Legislation introduced—1972*

Legislation introduced in 1972 consisted of the following:

H.R. 13557, Representative Fernand J. St Germain (D-Rhode Island) and one cosponsor, March 2, to provide greater flexibility to State agencies in making coupon allotment deductions and distribution;

S. 3639, Senators George S. McGovern (D-South Dakota) and Alan Cranston (D-California), May 24, to permit elderly recipients to buy meals in group settings, such as senior citizens centers, apartment buildings, and restaurants;

H.R. 14896, Representative Roman C. Pucinski (D-Illinois), June 15, to ensure that Social Security and railroad retirement benefits do not count as income for purposes of determining food stamp eligibility or benefit levels;

H.R. 15874, Representative Ronald V. Dellums (D-California) July 17, to permit food stamp recipients to buy imported meats;

H.R. 16951, Representative John G. Dow (D-New York), October 3, to prevent the loss of food stamp benefits as a result of increases in social security benefits payments under the recently enacted Public Law 92-336; and

H.R. 17023, Representative Garry E. Brown (R-Michigan), October 5, to permit food stamps to be used for buying seeds and canning equipment.

### *Supplemental security income*

Congress originally barred all supplemental security income recipients from receiving food stamps when it passed the 1972 Social Security amendments (Public Law 92-603) establishing the SSI program as a replacement for the old programs of cash assistance to aged, blind, and disabled.

The assumption behind such a prohibition was that the basic Federal SSI benefit levels or State-option supplements would be adequate to cover food costs.

In those States where the Federal SSI level was lower than the previous public assistance levels, it was anticipated that States would compensate for the loss of food stamps through State supplementation of the basic Federal SSI guarantee. The SSI law provided that there be a federally financed fiscal incentive for States to include the bonus value of food stamps in calculating their State supplement, in other words, to "cash out" food stamps. This fiscal incentive proved operative in only six States—California, Hawaii, Massachusetts, Nevada, New York, and Wisconsin—five of which did choose to cash out food stamps, all but Hawaii. The dollar amount chosen for the cash out was $10 per month, which was, and is, the minimum food stamp benefit for one- and two-person households.

(NOTE.—Before the new SSI Program took effect in January 1974, changes were made in the prohibition on food stamp participation by SSI recipients. The bill also repealed the provision (enacted the previous year) which required States to withhold the purchase requirement price from AFDC grants for individuals who desired to participate in the Food Stamp Program by purchasing food stamps.)

## 1973 AMENDMENTS

By the end of fiscal year 1973, the number of localities operating the program had risen to 2,225 and average participation had climbed to 12.2 million persons a month.

Program costs also grew with larger benefits due to food-price inflation; by 1973, monthly average benefit levels were nearly $15 per person.

*Legislation introduced—1973*

In 1973, legislation was introduced which would serve as the basis for several subsequent provisions in the authorizing legislation.

Representative Leonor Kretzer Sullivan (D-Missouri) continued her effort to transfer the jurisdiction of the Food Stamp Program from the Agriculture Committee to the Committee on Banking and Currency. She introduced H. Res. 28 on January 3, 1973, to further this objective. She also reintroduced her proposal to repeal the 1970 amendments as H.R. 53 on January 3.

Legislation was again introduced to preclude strikers from participating in the Food Stamp Program. These bills included:

H.R. 1940, Representative C.W. Bill Young (R-Florida), January 11;

S. 408, Senator Strom Thurmond (R-South Carolina) and six cosponsors, January 16; and

H.R. 6708, Representative William L. Dickinson (R-Alabama) and 10 cosponsors, April 9. Representative Dickinson subsequently reintroduced the bill with a total of 60 cosponsors as H.R. 7797, H.R. 7798, and H.R. 7799 on May 15, and as H.R. 8338 on June 4.

In the Senate, Senator Ted Stevens (R-Alaska) introduced S. 218 on January 4 to permit food stamp recipients living in remote areas of Alaska to use food stamp coupons for the purchase of ammunition.

Legislation was introduced both to loosen and to tighten the restriction on the use of food stamps to buy imported foods. Representative Ronald Dellums (D-California) introduced H.R. 2571 on January 22 to permit food stamp recipients to buy imported meat with food stamps. Representative Patsy Mink (D-Hawaii) introduced H.R. 3155 on January 29 to permit food stamp recipients to buy imported foods with food stamps. Representative Dawson Mathis (D-Georgia) introduced H.R. 10678 on October 2 to prohibit the use of food stamps to purchase any imported foods.

Representative Herman Badillo (D-New York) and three cosponsors introduced H.R. 6695 on April 9 to permit participation in the Food Stamp Program by individuals undergoing treatment in residential nonprofit narcotic rehabilitation centers.

Representative Wendell Wyatt (R-Oregon) introduced H.R. 7332 on April 30 to permit elderly food stamp recipients to use food stamps to purchase meals in restaurants.

Several bills were introduced to repeal the provision of the 1972 Social Security Amendments which, when implemented in 1974, would prohibit participation in the Food Stamp Program by recipients of newly designated Supplemental Security Income (SSI). This SSI program was to begin January 1, 1974. Senator Thomas Eagleton (D-Missouri) introduced a bill, S. 255, to repeal this policy on January 9. Representative John Melcher (D-Montana) introduced serveral bills to repeal this provision of the 1972 amendments to the Social Security Act. The initial bill, H.R. 2359, was introduced on January 18. It was subsequently reintroduced with a total of 43 cosponsors as H.R. 4825 and H.R. 4826 on February 27, H.R. 5237 on March 6, H.R. 6056 on March 22. Representative John B.

Breaux (D-Louisiana) introduced similar legislation, H.R. 6215, on March 28, as did Representative Richard Fulton (D-Tennessee), H.R. 8273, on May 31. Similar bills amending the Food Stamp Act of 1964 and the Agricultural Act of 1949 were introduced by Representative Melcher—H.R. 7429 on May 2 and H.R. 7962 on May 21.

Senator Hubert H. Humphrey (D-Minnesota) introduced a resolution, S. Res. 128, on June 13, opposing any lowering of benefits affected by the 1972 Social Security Act.

Senator George S. McGovern (D-South Dakota) introduced his major food stamp reform proposal, S. 1669, on April 30, with nine cosponsors.

Representative Carl Perkins (D-Kentucky) introduced H.R. 7966 on May 21 to ensure that disabled recipients could receive meals on wheels, just as had been provided in earlier legislation for elderly recipients.

Other food stamp proposals included were H.R. 223, by Representative Bella S. Abzug (D-New York), introduced on January 3.

*1973 Farm bill*

As part of the 1973 farm bill (Public Law 93-86), Congress enacted the second major set of amendments to the Food Stamp Act of 1964.

The Senate version of the farm bill, S. 1888, included a reauthorization for the Food Stamp Program. Linkage of the Food Stamp Program had been done on several previous occasions, although this was the first time that the linkage had been within the same piece of legislation as part of the farm bill.

During floor consideration in early June 1973, several food stamp amendments were added to the Agriculture Committee's reported bill.

Senators Clifford P. Case (R-New Jersey) and Edward M. Kennedy (D-Massachusetts) offered an amendment on June 7 to increase the value of food stamp coupons to reflect what they described as the large increase in food costs during 1972–73. The amendment also provided that future adjustments in the value of food stamp coupons be made semiannually rather than annually, as required under existing law (which had been adopted in 1970). The amendment was adopted 56 to 38.

Also on June 7, Senator Charles Percy (R-Illinois) proposed an amendment to clarify a provision in the reported bill that would authorize persons over 60 and their spouses to use food stamps to purchase meals prepared by public and private establishments for the elderly. Senator Percy's amendment specified this new authority would apply only to concerns that would enter into contract with State and local agencies to provide low-cost meals to the elderly. Private for-profit entities would only be allowed to participate if they had signed a contractual agreement providing concessional prices. The amendment passed by voice vote.

Senator James B. Allen (D-Alabama) proposed an amendment, which was adopted by voice vote, to permit the use of food stamps to purchase seeds and plants for vegetable gardens.

On June 8, the Senate considered an amendment by Senator Edward M. Kennedy (D-Massachusetts) to liberalize several provisions in the committee's bill by providing "self-certification" for food stamp applicants, requiring certification within 15 days, requiring a hearing before any recipient could be removed from the program, permitting recipients to buy imported foods, and providing certain special provisions for elderly recipients.

Senator Ernest Hollings (D-South Carolina) objected to a number of provisions in the Kennedy amendment:

> In trying to improve the participation within the Food Stamp Program, like Samson, we are going to pull down the temple walls and ruin us all—specifically, when the Senator goes to the heart of allowing food stamp users to buy foreign or imported foods.

Senator Hollings offered an amendment to the Kennedy amendment to eliminate several provisions—such as the authority to buy imported foods and the requirement for a hearing before removal from the program—and to modify others, by changing the waiting period for certification to 30 days and restricting the use of self-certification.

The Hollings amendment to the Kennedy amendment was adopted by voice vote, and then the Senate adopted the modified Kennedy amendment by voice vote.

Senator Ted Stevens (R-Alaska) offered an amendment to authorize the use of food stamps in rural areas of Alaska for the purchase of hunting and fishing equipment other than firearms; the amendment was adopted by voice vote.

The food stamp reauthorization was passed as part of S. 1888, which passed on June 8, by a 78 to 9 vote.

The House Agriculture Committee had held hearings on the Food Stamp Program between April 10 and April 16.

The House reported its farm bill, H.R. 8860 on June 27. That bill included provisions extending the Food Stamp Program for 4 years and making additional changes.

The House considered the farm bill during mid-July. During House consideration on July 19, the issue of food stamps for strikers was again raised. Representative Thomas S. Foley (D-Washington) initially offered a substitute to the food stamp provisions in the committee's bill to liberalize a number of restrictions which had been inserted in the committee version of the bill. The Foley substitute included provisions also in the committee's bill allowing food stamp aid to alcoholics and drug addicts in rehabilitation programs and special aid to elderly people for prepared meals. The amendment also provided for semiannual indexing of benefits and would permit the purchase of imported meats with food stamps.

While the Foley amendment was being considered, a number of other amendments were proposed, most of which were not adopted. Representative Richard H. Ichord (D-Missouri) proposed an amendment to count as income in-kind benefits received from an employer by members of the households if such payments are in lieu of or supplemental to household income. The Ichord amendment was adopted by voice vote.

Representative Charles M. Teague (R-California) proposed an amendment to limit the participation of college students. His amendment was defeated 50 to 81 on a standing vote.

Representative Wilmer Mizell (R-North Carolina) proposed an amendment to establish an assets limit at $1,500 per household, or $3,000 for households of two or more that include an elderly recipient. His amendment was rejected 39 to 66. (NOTE.—At this point in the program, the Secretary of Agriculture was responsible for setting, by regulation, the appropriate assets limit. No asset guidelines were in the statute itself.)

Representative Robert Price (R-Texas) proposed an amendment to eliminate the Foley provision permitting the purchase of imported meat. His amendment was defeated 36 to 51.

Representative John Conlan (R-Arizona) offered amendment to tighten the eligibility for what he termed the "voluntary poor." His amendment was rejected by voice vote.

Representative Robert H. Steele (R-Connecticut) offered an amendment to specify that residents of federally subsidized housing for the elderly were eligible for food stamps. His amendment was adopted by voice vote. It was actually adopted twice because of the parliamentary situation.

Representative Harold V. Froehlich (R-Wisconsin) offered an amendment to prohibit the purchase of foods "determined by the Secretary (of Agriculture) to be of low or insignificant nutritional value." His amendment was defeated by voice vote.

Also defeated was an amendment by Representative James A. Burke (D-Massachusetts) to establish a program for the Secretary of Agriculture to distribute seeds and plants for use in home gardens to produce food.

The main issues during the consideration of the Foley amendment were food stamps for strikers and the treatment of future SSI recipients.

Opponents of food stamps for strikers won several narrow victories in procedural moves to modify the Foley substitute. In the first vote, Representative William L. Dickinson (R-Alabama) introduced an amendment to deny food stamps to most strikers and their families. This amendment, which was adopted by a vote of 213 to 203, would allow food stamp participation by strikers who were previously eligible, but previously ineligible individuals would not become eligible by virtue of the loss of income associated with a strike.

On a different topic, Representative Barber B. Conable, Jr. (R-New York) proposed an amendment to restrict the food stamp eligibility of aged and handicapped persons already scheduled to receive supplementary income (SSI) under a 1972 social security law. Supporters of the Conable amendment argued that providing a food stamp benefit for these people was simply a duplication of money and services. The committee bill proposed to make all SSI recipients eligible for food stamp participation. The Conable amendment passed 238 to 173.

After the adoption of the Dickinson striker amendment and the Conable SSI amendment, Representative Foley and his allies urged the defeat of the substitute amendment. Although the Foley substitute (as amended by Dickinson and Conable and the earlier Ichord and Steele amendments) was first rejected 57 to 66 on a standing vote, it was subsequently approved by a 210 to 207 vote.

Representative Foley then changed strategy and proposed a second substitute amendment to delete altogether the cotton and food stamp sections of the farm bill. However, Representative Dickinson offered his amendment to the new Foley substitute even though that substitute did not mention the Food Stamp Program. Representative Foley objected that the Dickinson amendment was not in order since it sought to amend a provision that was not part of the substitute. This objection was overruled by the presiding chairman of the Committee of the Whole House, William H. Natcher (D-Kentucky). Representative Dickinson prevailed on the amendment, 208 to 207. Representative Foley then urged defeat of his second substitute (with the Dickinson amendment) which was defeated on a voice vote. Thus, the Dickinson and Conable amendments were included in the final version of the bill which passed the House 226 to 182. Representative James G. O'Hara (D-Michigan) an opponent of the food stamp striker ban, proposed an amendment to prohibit payments to farmers where a strike had taken place; his amendment was defeated 85 to 326.

The joint Senate-House conference could not agree on the striker provision, with the Senate conferees being opposed and House conferees in support. In subsequent parliamentary maneuvering, the ban on striker participation was again omitted from the final bill.

When the conference report was considered in the Senate on July 13, Senator Jesse Helms (R-North Carolina) proposed to concur with the House-passed striker ban in the food stamp section of the bill. However, Senator Hubert H. Humphrey (D-Minnesota) moved to table the Helms amendment, and the tabling motion passed 58 to 34. The Senate then adopted the farm bill conference report by a vote of 85 to 7.

In the House, Representative W.R. Poage (D-Texas), the chairman of the Agriculture Committee, offered a motion when the conference report was brought up on August 3 to accept the Senate version on the striker provision (that is, no provision) and to encourage farmers to produce as much as possible. Under House rules, only one amendment was in order to the conference report. Thus Representative Poage's proproduction amendment precluded Representative William L. Dickinson (R-Alabama) from insisting on the House-passed language barring food stamps for strikers. The House voted 349 to 54 to order the previous question on Poage's motion; then it voted 252 to 151 in favor of the motion.

The new act (Public Law 93–86) reauthorized the program for 4 years without any reauthorization ceilings.

The items which could be purchased with food stamps was further expanded to include: (a) seed and plants for use in gardens to produce food for personal consumption; (b) all imported foods; (c) meals prepared for elderly recipients by certain communal dining facilities; (d) meals prepared for narcotics addicts and alcoholics by their treatment programs; and (e) hunting and fishing equipment (except firearms, ammunition, and other explosives) when purchased for eligible households located in remote areas of Alaska who depend on hunting and fishing for subsistence. The bill also reinstated the requirement that States withhold the food stamp purchase requirement from AFDC grants for households desiring to participate in the Food Stamp Program.

Semiannual indexing of stamp allotment levels meant that they could keep pace with inflation in a more timely manner. Such indexing also produced escalating income eligibility levels, since they were tied to the allotment levels.

Nationwide operation of the program was accomplished by ending special provision for acquiring commodities for distribution thus limiting the availability of commodities for distribution and mandating that, if any area of a State operated a Food Stamp Program, all localities must offer it; total national coverage was expected by mid-1974.

### *Fiscal year 1974 appropriations*

In appropriations action, the House Appropriations Committee recommended $2.2 billion for the Food Stamp Program for fiscal year 1974, H.R. 8619. The Senate recommended $2.5 billion, which was the amount included in the final conference report which became Public Law 93-135.

### *SSI cash out controversy*

Questions were raised about the equity of the restriction on one particular group of low-income people (SSI recipients) from receiving food stamps, as provided in the Social Security Act Amendments of 1972, Public Law 92-603.

In 1973, provisions of Public Law 93-86 were enacted to address these concerns by providing protections for such recipients. However, that legislation was immediately criticized as being complex and costly to administer. To address these problems, Congress enacted Public Law 93-233, signed December 31, 1973, to suspend temporarily the provisions of Public Law 93-86. Under the final act, Public Law 93-233, SSI recipients would continue for 6 months (through June 1974) to be eligible for food stamps in those States that had not cashed out the food stamp bonus value. In the States that had cashed out the program—New York, Wisconsin, Massachusetts, California, and Nevada—SSI recipients became ineligible for food stamps as originally contemplated in Public Law 92-603.

As part of separate legislation (Public Law 93-351), Congress required the Secretary of Agriculture to issue regulations within 90 days to clarify the use of food stamps under title VII of the Older Americans Act. Title VII provides authority for nutrition programs for the elderly.

## OVERVIEW: 1974-76

From fiscal year 1974, through fiscal year 1977, the Food Stamp Program continued to grow. Participation rose from about 13.5 million persons a month in 1974 to just over 17 million persons in 1977; of this increase, 1.5 million persons were added when Puerto Rico entered the program in 1975. Nationwide operation of the program was accomplished in January 1975 when Puerto Rico entered the program, leaving less than 100,000 commodity recipients, mostly on Indian reservations. Geographic coverage became virtually nationwide, reaching all 3,100 local jurisdictions. As a result of inflation indexing, benefits rose to about $25 per person per month.

However, for the first time, substantial reductions in participation and costs occurred as the 1974-75 recession ended. In mid-1975, as the unemployment rate reached nearly 8.9 percent (its highest level during the recession), food stamp participation climbed to a peak of 19.4 million persons; program costs climbed with it. Food stamp rolls decreased over 2 million persons by the spring of 1977 as the unemployment rate declined to below 7 percent.

Legislative proposals initiated during 1975 and 1976 culminated in a major restructuring of the Food Stamp Program in 1977. Over 200 food stamp proposals were introduced during this period.

Early congressional action in 1975 repudiated the efforts to reduce food stamp costs initiated by President Gerald R. Ford shortly after he assumed the Presidency in the fall of 1974. In 1976, one reform, a separate bill dealing solely with food stamp vendor abuse, was ultimately enacted.

In addition, Congress dealt with regular appropriations bills for the program during this period as well as several supplemental appropriations and legislation to extend the cash out for supplemental security income recipients.

## 1974

The primary legislative activity in 1974 took place in the appropriations process, although several food stamp changes were considered in the Senate during consideration of S. 3458, a bill dealing primarily with extending the Secretary of Agriculture's authority to purchase food commodities for the Domestic Assistance Program on Indian reservations.

S. 3458 was considered in the Senate on May 21. One of the food stamp provisions of the bill authorized the Secretary of Agriculture to pay State agencies 62.5 percent of all—instead of part—of the administrative costs of the Food Stamp Program.

Senator Jesse Helms (R-North Carolina) proposed an amendment to eliminate strikers from the Food Stamp Program. The Senate adopted, 52 to 31, a motion by Senator George S. McGovern (D-South Dakota) to table the Helms amendment.

The Senate accepted by voice vote an amendment by Senator Robert Taft (R-Ohio) to require annual State reports on administration, including a report on the number of personnel working on the Food Stamp Program in each State.

The House had no food stamp provisions in its comparable legislation, H.R. 14992, and in conference on S. 3458, the final agreement was to provide 50 percent Federal funding of all State administrative expenses, rather than 62.5 percent of certain expenses as in the then-existing law. The bill became Public Law 93-347.

Both the House and Senate Appropriations Committees included $500 million as a supplemental appropriation for the Food Stamp Program in H.R. 14013. There were no attempted changes to that section of the bill in either House, and the appropriation was included as a part of Public Law 93-305, signed on June 8, 1974.

### *Fiscal year 1975 appropriations*

The House Appropriations Committee recommended $4 billion for the food stamp program for fiscal year 1975 in H.R. 15472, the agriculture appropriations bill.

When the appropriations bill was considered in the House on June 21, Representative William L. Dickinson (R-Alabama) presented an amendment to make the households of striking workers ineligible for food stamps. The amendment was modified by Representative Richard D. White (D-Texas) to provide that households eligible or participating in the Food Stamp Program before the strike would not be affected. The Dickinson amendment (as amended by White) was defeated on a 147 to 169 roll call vote.

Representative John B. Anderson (R-Illinois) offered an amendment to make college students who are claimed as tax dependents by their parents ineligible for food stamps. The amendment was adopted first on a 111 to 87 standing vote, and subsequently on a 195 to 123 recorded vote. Representative Anderson said the provision was needed to curb participation by thousands of nonneedy middle- and upper-middle-class students on college campuses across the country.

During Senate consideration of the bill, on July 22, Senator Jesse Helms (R-North Carolina) proposed an amendment to limit food stamp participation by households with striking workers. Only those eligible for food stamps before the strike would be eligible, and they could not receive any increase as a result of the lost income associated with the strike. The amendment was defeated 35 to 52.

The conference agreed to the $4 billion appropriation and maintained the House provision restricting participation by college students.

However, President Nixon vetoed H.R. 15472, on August 8, 1974, shortly before he resigned the Presidency. The food stamp funding level was not an issue in the veto, and the level remained the same in the subsequent bill, H.R. 16901, which passed the Congress. The restriction on college student particpation was also retained in the second bill.

During Senate consideration of the second appropriations bill on November 25, Senator Jesse Helms (R-North Carolina) again raised the issue of food stamps for strikers and offered an amendment to restrict eligibility of households with striking workers, the same amendment he had offered in July. In offering his amendment to prohibit eligibility by virtue of a strike for the third time in 1974, Helms said,

> I have submitted this amendment several times before. I will continue to submit it until—one day, I hope—it is approved, however many times that may require. There is a principle at stake here that deserves better than to be dismissed in a cavalier fashion.

The amendment was again defeated by a similar margin, 34 to 55.

The second version of the agriculture appropriations bill, H.R. 16901, was signed by President Gerald R. Ford on December 31, 1974, becoming Public Law 93-563.

The appropriations bill for fiscal year 1975 provided, for the first time, a limitation on college students. Food stamps were not to be provided to any individual who was (1) age 18 or over, (2) enrolled in an institution of higher education, and (3) claimed as a dependent child for Federal income tax purposes by a taxpayer who was not a member of an eligible food stamp household.

### *Disaster Relief Amendments of 1974*

As part of disaster relief legislation enacted in 1974, the Disaster Relief Amendments of 1974 (Public Law 93-288), Congress expanded existing authority for the Secretary of Agriculture to distribute food stamp coupons and surplus commodities to low-income households in disaster areas.

### *Committee jurisdiction*

The House considered, on October 8, a comprehensive plan to transfer jurisdiction from various programs to other committees. One of the proposals in House Resolution 988, sponsored by Representative Richard Bolling (D-Missouri) was to transfer jurisdiction of the Food Stamp Program from the Agriculture Committee to the Ways and Means Committee where, it was argued, other welfare programs were considered. Representative Leonor Kretzer Sullivan (D-Missouri) had been urging for several years that the program be transferred to the Banking and Currency Committee on which she served. However, the House accepted a modified committee reorganization plan which, among other things, left jurisdiction of the Food Stamp Program with the Agriculture Committee.

### *SSI legislation*

In 1974, Congress passed Public Law 93-335 to extend for 1 year the suspension of the provision excluding SSI participation. Additionally, a second law was implemented to remedy an oversight in which certain persons in cash out States had been left with a cash payment. Public Law 93-235 required that, in the cash out States, the bonus value of food stamps ($10 per month) be included in the SSI payment for all recipients in such States.

### *Legislation introduced—1974*

Also during 1974, the issue of food stamp benefits for SSI recipients again arose as a result of complicated provisions of previously enacted SSI revisions.

Congress originally barred all SSI recipients from receiving food stamps when it passed the 1972 social security amendments (Public Law 92-603). The assumption was that SSI benefit levels would be adequate to cover food costs. States were also given the option to replace the value of the food stamp benefit with cash.

Numerous bills were introduced to ensure that the bonus value of food stamps would be provided to SSI recipients in States where the Food Stamp Program was "cashed out." These included:

H.R. 12680, Representative Elizabeth Holtzman (D-New York), February 6;

H.R. 12771, Representative Bella S. Abzug (D-New York), February 13;

H.R. 12841, Representative Peter A. Peyser (R-New York), February 14;

H.R. 12990, Representative Elizabeth Holtzman (D-New York) and 20 cosponsors, February 21;

H.R. 12991, Representative Elizabeth Holtzman (D-New York) and 17 cosponsors, February 21;

H.R. 13194, Representative Hamilton Fish, Jr. (R-New York), March 4;

H.R. 13327, Representative Elizabeth Holtzman (D-New York) and two cosponsors, March 7; and

H.R. 13682, Representative Jerome Waldie (D-California), March 21.

Bills were also introduced to continue making SSI recipients eligible for food stamps.

H.R. 14110, Representative Joseph P. Addabbo (D-New York), April 10;

H.R. 14150, Representative Lester L. Wolff (D-New York), April 10;

H.R. 14154, Representative Mario Biaggi (D-New York), April 10;

H.R. 14202, Representative Jonathan B. Bingham (D-New York), and 10 cosponsors, April 11;

H.R. 14205, Representative Hugh L. Carey (D-New York), April 11;

H.R. 14208, Representative Norman F. Lent (R-New York), April 11;

H.R. 14216, Representative Benjamin S. Rosenthal (D-New York), April 11;

H.R. 14222, Representative Bella S. Abzug (D-New York) and three cosponsors, April 11;

H.R. 14239, Representative Benjamin A. Gilman (R-New York), April 11;

H.R. 14252, Representative Ogden R. Reid (D-New York), April 11;

H.R. 14275, Representative Donald M. Fraser (D-Minnesota), April 22;

H.R. 14418, Representative Bella S. Abzug (D-New York) and three cosponsors, April 25;

H.R. 14419, Representative Jonathan B. Bingham (D-New York) and eight cosponsors, April 25;

H.R. 14421, Representative Hugh L. Carey (D-New York), April 25;

H.R. 14477, Representative Ogden R. Reid (D-New York), April 30;

H.R. 14650, Representative Benjamin S. Rosenthal (D-New York), May 7;

H.R. 14753, Representative Bella S. Abzug (D-New York), May 14;

H.R. 14766, Representative Donald M. Fraser (D-Minnesota), May 14;

H.R. 15124, Representative James C. Corman (D-California), May 30;

H.R. 15153, Representative Benjamin S. Rosenthal (D-New York) and one cosponsor, June 3;

H.R. 15156, Representative Bella S. Abzug (D-New York) and 24 cosponsors, June 4;

H.R. 15157, Representative Bella S. Abzug (D-New York) and five cosponsors, June 4;

S. 3582, Senator Abraham Ribicoff (D-Connecticut), June 5;

H.R. 15239, Representative Henry Helstoski (D-New Jersey), June 6;
H.R. 15432, Representative Bella S. Abzug (D-New York) and one cosponsor, June 18;
H.R. 15642, Representative Bella S. Abzug (D-New York) and one cosponsor, June 26;
H.R. 16364, Representative John Joseph Moakley (D-Massachusetts), August 9; and
H.R. 17537, Representative Lester L. Wolff (D-New York), November 26.

Representative Lawrence G. Williams (R-Pennsylvania) introduced legislation, H.R. 12266, on January 23, 1974, to define food stamp eligibility for those recipient families where a wage earner may be engaged in a strike.

Senator Milton R. Young (R-North Dakota) introduced S. 3235 on March 26, to provide authorization for the Food Stamp Program on Indian reservations.

Senator Pete Domenici (R-New Mexico) and four cosponsors introduced S. 3498 on May 14 to provide food stamp assistance to disaster victims.

Representative George E. Brown, Jr. (D-California) introduced H.R. 15088 on May 30, to broaden the definition of items eligible to be purchased with food stamps to include personal hygiene items.

Representative Peter A. Peyser (R-New York) proposed H.R. 16653 on September 12 to implement an immediate cost-of-living increase in the value of food stamp benefits in November 1974.

Senator Henry Bellmon (R-Oklahoma) introduced his food stamp reform bill, S. 3655, on June 17.

Representative Joel Pritchard (R-Washington) introduced H.R. 15645 on June 26, to provide that increases in social security benefits (that is, cost-of-living increases) would be disregarded in determining food stamp income eligibility and benefit levels.

Senator Mike Gravel (D-Alaska) introduced S. 4030 on September 19 to provide that income from the Alaska Native Claims Settlement Act would be disregarded in determining income eligibility and benefit levels.

Senator Carl T. Curtis (R-Nebraska) introduced S. 4068 with four cosponsors on October 1 to prohibit the use of food stamps for imported meats.

Representative Clair W. Burgener (R-California) introduced H.R. 17225 on October 10 to transfer jurisdiction over the operation of the Food Stamp Program from the Department of Agriculture to the Department of Health, Education, and Welfare.

Also introduced was legislation to replace several existing welfare programs, including the Food Stamp Program, with a system of cash assistance:

H.R. 17574, Representative Martha Griffiths (D-Michigan), December 5; and
H.R. 17671, Representative Martha Griffiths (D-Michigan) and nine cosponsors, December 19.

Senator John Melcher (D-Montana) and a total of 47 cosponsors introduced several bills to amend the Food Stamp Program: H.R. 12168 on January 21, H.R. 14247 and 14248 on April 11, and H.R. 14559 on May 2. Other bills included:

H.R. 12385, Representative Edward J. Patten (D-New Jersey), January 29;

H.R. 12817, Representative Frank Thompson, Jr. (D-New Jersey), February 13;

H.R. 12853, Representative Joseph P. Vigorito (D-Pennsylvania), February 14;

H.R. 13171, Representative Robert A. Roe (D-New Jersey), February 28;

H.R. 13306, Representative Robert N.C. Nix (D-Pennsylvania), March 6; and

H.R. 14868, Representative Charles J. Carney (D-Ohio), May 16.

## 1975

### *Prohibition of changes in purchase prices*

On November 26, 1974, President Ford proposed to increase food stamp purchase requirements as part of a package to curb Federal spending in fiscal year 1975.

Under the system then in place, the amount paid by recipients for their stamps could not exceed 30 percent, but varied according to a sliding scale based on income and family size, with the average family paying 23 percent of its monthly net income for food stamps.

The Ford administration proposal would have required approximately 95 percent of food stamp recipients to pay 30 percent of their monthly net income for food stamps, that is, the maximum. About 5 percent of all food stamp recipients, the poorest, that in the past had received free food stamps, would continue to do so under the Ford plan.

The Agriculture Department announced final regulations on January 22, 1975, although the changes were not to be effective until March 1. Meanwhile, both Houses of Congress moved quickly to prohibit the implementation of the proposal.

The House reorganized on January 29, 1975, and Representative Thomas S. Foley (D-Washington) became chairman of the House Agriculture Committee, with former Chairman W.R. Poage being designated vice chairman. The House committee held hearings on the proposal on January 30, and then, on the same day, reported a bill, H.R. 1589, to overturn the proposed regulations by a vote of 32 to 2.

The bill prohibited any increase in food stamp purchase prices (the purchase requirement) before December 30, 1975.

During floor consideration, Representative Foley urged swift action to override the administration's proposal:

> The main arguments advanced in defense of the regulation changes appear to be those of controlling the costs of Government. During emergency public hearings held by this committee on January 30, the Department of Agriculture testified that the regulation changes would save approximately $215 million by the end of this fiscal year. This sum seems to pale when compared to the 350 billion dollar budget presented by the President to the Congress only yesterday. It also pales in relation to the social and economic cost that the committee found would be the inevitable result of such savings.

The debate on the bill was decidely favorable, although several Republicans voiced concerns that the passage of the bill would preclude consideration of reform measures. The House passed the bill under suspension of the rules procedures on February 4 by a 374 to 38 vote.

The Senate Committee on Agriculture and Forestry approved an identical Senate bill, S. 35, on February 5, and a few hours later the full Senate passed the bill by a 76 to 8 vote. Senator George S. McGovern (D-South Dakota) had introduced the Senate bill on January 15.

Senator Carl T. Curtis (R-Nebraska) supported the administration:

> We should not allow ourselves to get emotional about feeding those who are undernourished. There is no dispute about that. The dispute is over what should we do, and what should we do now, to make it a program that conserves our assets so that we can, for all time to come, fulfill our obligation to the poor and less fortunate of the land.
>
> This law needs some revisions. Congress has some work to do. We cannot point our finger at the bureaucrats and say that they have caused all the trouble. We have provided a law that says that if your income is a certain amount, you are eligible for food stamps. . .

Senator George S. McGovern (D-South Dakota) responded:

> The law states that the recipient should pay a reasonable proportion based on his ability to pay, but in no case could it go beyond 30 percent.
>
> There is not the faintest hint there that Congress intended that everybody would pay 30 percent of their income to quality for the Food Stamp Program. That is what the President's order provides.

Before passing the bill, the Senate rejected, 34 to 51, an amendment by Senator Carl T. Curtis (R-Nebraska) which would have required the Secretary of Agriculture to study the program and recommend legislative changes by June 30. However, because the Senate had already passed by a vote of 83 to 0 a resolution, S. Res. 58, which also directed the Secretary to study the program and make recommendations, proponents of the bill argued that the amendment to the purchase requirement bill would only delay final Congressional approval.

The margins of passage in both houses were sufficient to override a Presidential veto, and President Ford permitted the bill to become law (Public Law 94–4), without his signature on February 20.

### *Authorizing legislation*

Also during 1975, the Senate considered legislation to speed processing of food stamp applications by allowing "self-certification" of applicants followed by verification by a welfare agency within 30 days.

The Senate Committee on Agriculture and Forestry reported S. 1662 on May 15. The bill's original purpose was to provide a 1-year extension (through June 1976) for SSI recipients to remain eligible for food stamp benefits.

However, two amendments were added during Senate floor consideration on June 10 which broadened the scope of the bill.

Senator Hugh Scott (R-Pennsylvania) proposed an amendment, adopted by voice vote, to expand the eligibility of food stamp recipients who could purchase meals on wheels, to include all elderly persons—not just the handicapped—and other participants, regardless of age, who were too physically or mentally disabled to prepare their own meals. He had introduced similar legislation, S. 1672, on May 7.

A more controversial amendment was proposed by Senator Robert Dole (R-Kansas) to establish procedures for immediate certification of food stamp applicants to speed up what was perceived of as slow certification procedures. The Dole amendment contains the following provisions:

> Individuals applying for food stamps would be given the opportunity to submit an application on the same day they attempted to apply for benefits. (Typically, households attempting to apply would be scheduled for a certification appointment—which might not be for several weeks after they initially attempted to apply.)
>
> Such applicants would be eligible automatically to participate in the program for 30 days without requiring verification of eligibility.
>
> Completion of verification procedures would be required within 30 days of the application.
>
> Minimum certification periods would be established of 4 months for most households and 6 months for households including elderly or disabled recipients.
>
> Convenient, adequately staffed certification centers would be required.
>
> The purpose of the amendment, Senator Dole explained, is not to make one additional person eligible. It simply is to enable that person, if he is eligible, or that family, if they are eligible, to qualify for benefits immediately.

Senator Herman E. Talmadge (D-Georgia), chairman of the Agriculture Committee, opposed the amendment which had been defeated in Committee.

> We decided that this amendment would authorize more than 200 million American citizens to just walk in off the street, sign their names, and be entitled to food stamps on their own word. Who in this body would issue a blank check to anyone?

The administration also opposed the Dole provision, and Senator Talmadge indicated during Senate consideration that President Ford would "in the interest of responsible government, have to veto any bill that includes self-certification." However, the Senate adopted the amendment 61 to 35.

Meanwhile, in the Senate, the 1-year extension for SSI recipients, the original provision of S. 1662, was added by Senator Russell B. Long (D-Louisiana) on June 6 as an amendment to H.R. 6698, which became Public Law 94-44.

The House Agriculture Committee on July 31, by a vote of 25 to 13, reported a bill, H.R. 7887, consisting primarily of the Scott and Dole amendments adopted during Senate consideration of S. 1662. The bill provided for expedited coupon issuance and permitted the handicapped to use food stamps to purchase home-delivered meals (regardless of whether they were elderly). However, the House bill was not acted on further during 1975.

Separate legislation (H.R. 10284, Public Law 94-182) granted States the option to withhold the food stamp purchase price from an AFDC grant for those recipients who wished to purchase food stamps, until October 1, 1976. Earlier legislation would have required States to withhold if recipients requested it.

*Fiscal year 1975 supplemental appropriations*

In 1975, President Ford requested an additional appropriation of $884.8 million for the Food Stamp Program, bringing the total appropriation for fiscal year 1975 to $4.8 billion. The $884.8 million was included in the supplemental appropriation bill for fiscal year 1975, Public Law 94-32. The amount had been included in the Senate version of the supplemental appropriation bill, H.R. 5899, but not in the House version. The conference adopted the Senate figure, the same as that requested by the administration.

*Partial fiscal year 1976 appropriations*

Later in the year, Congress appropriated $3.5 billion for the Food Stamp Program for the 7 months between July 1, 1975, and January 31, 1976, as part of the agriculture appropriations bill, H.R. 8561. The House and Senate decided to fund the program for only part of the fiscal year in order to prompt a supplemental funding request from the administration to complete the fiscal year's funding. The Appropriations Committees believed that the administration's requested budget would be inadequate for full year funding. The 7 months funding was part of the bill that became Public Law 94-122. The same bill contained $1.04 billion for the Food Stamp Program for the 3-month "transition quarter" running from July 1976 through September 1976. The appropriations bill included the same limitation on college student participation that had been included in the fiscal year 1975 appropriations bill, Public Law 93-563. A continuing appropriations bill (H.J. Res. 499, Public Law 94-41) had provided interim funding for the Food Stamp Program.

It should be noted that Congress converted from a July through June fiscal year to an October through September year. As a result, the fiscal year 1976 budget consisted of an appropriation to cover both fiscal year 1976 (July 1, 1975 through June 30, 1976) as well as the transition quarter.

*Fiscal year 1976 supplemental appropriations*

Later in 1975, the Congress considered the supplemental appropriation for the remainder of fiscal year 1976 in H.R. 10647. The administration had requested an additional $3.137 billion for the remaining 5 months of fiscal year 1976 (February 1, 1976 through June 30, 1976) as well as $788.8 million for the transition period. However, the House Appropriations Committee reduced the supplemental for food stamps to $1.75 billion for the remainder of fiscal year 1976, the committee saying that testimony indicated the administration request was now too large due to reflect recent declines in program participation and the availability of unanticipated 1975 carryover funds. The committee also eliminated altogether the $788 million supplemental for the transition quarter.

On November 13, 1975, during the consideration of the supplemental appropriations bill, Representative Paul Findley (R-Illinois) offered an amendment to limit participation in the Food Stamp Program to families with aggregate annual income at or below the poverty line. Representative Findley suggested that the program's costs were spiraling out of control:

> This program started out as a surplus food disposal program, but it long since ceased to be that. It is a welfare program, but unfortunately so loosely controlled that it is reaching more and more of the population every year. It is high time that we act at the earliest possible opportunity to restrict the benefits of the Food Stamp Program to those who are in the welfare category, that is, whose income, whose household aggregate income is low enough to classify them as in the poverty level according to the Office of Management and Budget.

Representative Thomas Foley (D-Washington), chairman of the Agriculture Committee, argued that the appropriations process was not the appropriate forum for addressing concerns raised by the Findley amendment, and urged that structural changes to the program be handled through the authorization process. The amendment failed 159 to 230.

The $1.75 billion figure for the remainder of fiscal year 1976 was also approved by the Senate and became part of Public Law 94-157.

The Congress again provided a 1-year extension of the suspension of the provision excluding SSI participation in the Food Stamp Program. The provision was contained in Public Law 94-44.

*Legislation introduced—1975*

A number of bills had been introduced before and after the House Committee's action to overturn the Ford administration's proposed purchase requirement changes:

H.R. 181, Representative Bella S. Abzug (D-New York), January 14;

H.R. 374, Representative Bill Chappell, Jr. (D-Florida), January 14;

H.R. 1246, Representative Charles J. Carney (D-Ohio), January 14;

H.R. 1293, Representative Ken Hechler (D-West Virginia), January 14;

H.R. 1309, Representative Elizabeth Holtzman (D-New York), January 14;

H.R. 1457, Representative John Meicher (D-Montana), January 15;

S. 13, Senator George S. McGovern (D-South Dakota), January 15;

H.R. 1589, Representative Bob Bergland (D-Minnesota) with four cosponsors, January 17;

H.R. 1673, Representative Dominick V. Daniels (D-New Jersey), January 20;

H.R. 1856, Representative H. John Heinz III (R-Pennsylvania), January 23;

H.R. 1860, Representative Elizabeth Holtzman (D-New York) with 22 cosponsors, January 23;

H.R. 1861, Representative Elizabeth Holtzman (D-New York) with 24 cosponsors, January 23;

H.R. 2081, Representative Bob Bergland (D-Minnesota) with 24 cosponsors, January 23;

H.R. 2082, Representative Peter A. Peyser (R-New York) with 24 cosponsors, January 23;

H.R. 2083, Representative Donald M. Fraser (D-Minnesota) with 24 cosponsors, January 23;

H.R. 2084, Representative Edward I. Koch (D-New York) with 24 cosponsors, January 23;

H.R. 2085, Representative James Weaver (D-Oregon) with 10 cosponsors, January 23;

H.R. 2152, Representative Joel Pritchard (R-Washington), January 27;

H.R. 2240, Representative Edward J. Patten (D-New Jersey), January 28;

H.R. 2259, Representative Neal Smith (D-Iowa) with one cosponsor, January 28;

H.R. 2412, Representative Bella S. Abzug (D-New York) with 24 cosponsors, January 30;

H.R. 2415, Representative Bob Bergland (D-Minnesota) with 15 cosponsors, January 30;

H.R. 2449, Representative Elizabeth Holtzman (D-New York) with 17 cosponsors, January 30;

H.R. 2464, Representative J.J. Pickle (D-Texas), January 30;

H.R. 2481, Representative Ray Thornton (D-Arkansas), January 30;

H.R. 2508, Representative Bob Bergland (D-Minnesota) with 23 cosponsors, January 31;

H.R. 2549, Representative James Weaver (D-Oregon) with 11 cosponsors, January 31;

H.R. 2567, Representative Bella S. Abzug (D-New York) with one cosponsor, February 3;

H.R. 2577, Representative Bob Bergland (D-Minnesota) with 24 cosponsors, February 3;

H.R. 2578, Representative Bob Bergland (D-Minnesota) with 10 cosponsors, February 3;

H.R. 2597, Representative Edward I. Koch (D-New York) with 18 cosponsors, February 3;

H.R. 2612, Representative Peter A. Peyser (R-New York) with 21 cosponsors, February 3;

H.R. 2659, by Representative James J. Florio (D-New Jersey), February 4;

S. 13, Senator George S. McGovern (D-South Dakota) and 45 cosponsors, January 15;

S. 250, Senator Hubert H. Humphrey (D-Minnesota) with two cosponsors, January 17;

H. Res. 41, Representative Peter A. Peyser (R-New York) with 15 cosponsors, January 14;

H. Res. 42, Representative Peter A. Peyser (R-New York) with 10 cosponsors, January 14;

H. Res. 43, Representative Peter A. Peyser (R-New York) with four cosponsors, January 14;

H. Res. 44, Representative Peter A. Peyser (R-New York) with 13 cosponsors, January 14;

H. Res. 45, Representative Peter A. Peyser (R-New York) with 15 cosponsors, January 14;

H. Res. 66, Representative Tim Lee Carter (R-Kentucky) January 15;

H. Res. 81, Representative Peter A. Peyser (R-New York) with one cosponsor, January 20;

H. Res. 108, Representative Peter A. Peyser (R-New York) with two cosponsors, January 28; and

H. Res. 109, Representative Brock Adams (D-Washington), January 29.

One of the proposals dealt with prohibiting the increase in purchase requirement prices for households with elderly or disabled household members. This approach was introduced as S. 302 by Senator Pete V. Domenici (R-New Mexico) on January 21 and as H.R. 2746 by Representative Floyd Spence (R-South Carolina), on February 4.

Other bills dealt with the now perennial issue of eliminating food stamp benefits for households with a wage earner on strike.

S. 358, Senator Strom Thurmond (D-South Carolina) and nine cosponsors, January 23;

H.R. 3227, Representative Edwin D. Eshleman (R-Pennsylvania), February 19;

H.R. 5073, Representative William L. Dickinson (R-Alabama) with 24 cosponsors, March 18;

H.R. 5678, Representative William L. Dickinson (R-Alabama) with one cosponsor, April 8; and

H.R. 7854, Representative David E. Satterfield III (D-Virginia), June 12.

Other bills in 1975 dealt with the continuation of the "cash out" provision for SSI recipients.

H.R. 165, Representative Bella Abzug (D-New York), January 14;

H.R. 771, Representative John M. Murphy (D-New York), January 14;

H.R. 860, Representative Peter A. Peyser (R-New York), January 14;

H.R. 911, Representative Melvin Price (D-Illinois), January 14;

H.R. 967, Representative Robert A. Roe (D-New Jersey), January 14;

H.R. 2636 and H.R. 2637, Representative Bella Abzug (D-New York) with 27 cosponsors, February 4;

H.R. 3176, Representative Dawson Mathis (D-Georgia), February 18;

H.R. 5838, Representative Charles J. Carney (D-Ohio), April 10;

S. 1662, Senator James B. Allen (D-Alabama) with 13 cosponsors, May 6;

H.R. 6768, Representative Elizabeth Holtzman (D-New York) with 22 cosponsors, May 7;

H.R. 6769, Representative Elizabeth Holtzman (D-New York) with 23 cosponsors, May 7;

H.R. 6850, Representative Richard Fulton (D-Tennessee) with three cosponsors, May 8;

H.R. 6940, Representative Elizabeth Holtzman (D-New York) with four cosponsors, May 13;

S. 1694, Senator Russell Long (D-Louisiana), May 8;

H.R. 7558, Representative Romano L. Mazzoli (D-Kentucky), June 13;

H.R. 7609, Representative Elizabeth Holtzman (D-New York) with 18 cosponsors, June 4;

H.R. 7772, Representative Bella S. Abzug (D-New York), June 10;

H.R. 7774, Representative Elizabeth Holtzman (D-New York), June 10;

H.R. 7979, Representative Elizabeth Holtzman (D-New York) with five cosponsors, June 17;

H.R. 8184, Representative Elizabeth Holtzman (D-New York), June 24;

H.R. 8515, Representative Bella Abzug (D-New York), July 10; and

H.R. 8755, Representative Elizabeth Holtzman (D-New York) with two cosponsors, July 18.

Bills were introduced to require a maximum of 30 days to determine eligibility. These included:

H.R. 2821, Representative Fred Richmond (D-New York), June 11;

H.R. 7887, Representative Thomas Foley (D-Washington), June 13;

H.R. 7902, Representative Pierre S. duPont (R-Delaware), June 13; and

H.R. 7935, Representative John Melcher (D-Montana), June 16.

Bills were also introduced to exempt social security payments from being included in determining income for purposes of various welfare programs, including food stamps:

H.R. 2891, Representative Elizabeth Holtzman (D-New York) with one cosponsor, February 5;

H.R. 4308, Representative Elizabeth Holtzman (D-New York) with one cosponsor, March 5;

H.R. 6585, Representative Michael J. Harrington (D-Massachusetts), May 1;

H.R. 7695, Representative Michael J. Harrington (D-Massachusetts) with 21 cosponsors, June 6;

H.R. 8318, Representative Jonathan B. Bingham (D-New York), June 26;

H.R. 8466, Representative Michael J. Harrington (D-Massachusetts) with one cosponsor, July 9;

H.R. 8969, Representative Don Bonker (D-Washington), July 26; and

H.R. 9188, Representative Bella S. Abzug (D-New York), with four cosponsors, August 1.

Representative James C. Cleveland (R-New Hampshire) introduced legislation, H.R. 9713, on September 19 to exempt mentally ill individuals regularly participating in a treatment and rehabilitation program from work registration requirements of the Food Stamp Program.

Representative William L. Dickinson (R-Alabama) proposed legislation, H.R. 2430 on January 30 and H.R. 2656, on February 4 to permit food stamps to be used for the purchase of seeds, plants, and fertilizer for use in gardens.

The objective of other legislation introduced was to eliminate college students from eligibility:

S. 231, Senator Thomas F. Eagleton (D-Missouri) with four cosponsors, January 17;

H.R. 2228, Representative Jerry Litton (D-Missouri) January 28;

H.R. 3257, Representative Jerry Litton (D-Missouri) with eight cosponsors, February 19;

H.R. 3320, Representative Jerry Litton (D-Missouri) with six cosponsors, February 19;

H.R. 3728, Representative Jerry Litton (D-Missouri) with 16 cosponsors, February 25;

H.R. 4395, Representative John Paul Hammerschmidt (R-Arkansas), March 6;

H.R. 4429, Representative Jerry Litton (D-Missouri) with five cosponsors, March 6;

H.R. 4631, Representative Dawson Mathis (D-Georgia), March 11;

H.R. 5295, Representative Jerry Litton (D-Missouri), March 20;

H.R. 6065, Representative Jerry Litton (D-Missouri), April 16;

H.R. 8460, Representative James T. Broyhill (R-North Carolina), July 9;

H.R. 10325, Representative Jerry Litton (D-Missouri) with four cosponsors, October 22; and

H.R. 10941, Representative Jerry Litton (D-Missouri) with one cosponsor, December 2;

Other bills were proposed to expand the Food Stamp Program by providing greater information to potential recipients and by making application procedures easier. These included:

H.R. 6417 and H.R. 6418, Representative Frederick Richmond (D-New York) with five cosponsors, April 28;

H.R. 6838, Representative Frederick Richmond (D-New York) with 17 cosponsors, May 8; and

H.R. 7518, Representative Frederick Richmond (D-New York) with eight cosponsors, June 2.

Senator William Lloyd Scott (R-Virginia) proposed S. 2528 which would have eliminated the requirements in the law that States make outreach efforts to inform people about the program.

Senator Philip A. Hart (D-Michigan) introduced legislation, S. 981, on March 6 to increase the Federal share of administrative expenses and to permit credit unions to sell food stamps.

Representative Clair W. Burgener (R-California) introduced H.R. 3298 on February 19 to transfer the Food Stamp Program from the Department of Agriculture to the Department of Health, Education, and Welfare. He reintroduced the legislation with a total of 19 cosponsors as H.R. 4123 on March 4 and H.R. 5341 on March 21. Similar bills were introduced by Representative Norman F. Lent (R-New York), H.R. 6134 on April 17 and H.R. 7133 on May 20.

Another approach consolidated the prohibition on strikers and college students with a proposal to transfer the program from the Department of Agriculture to the Department of Health, Education, and Welfare. The bill, H.R. 6895, was introduced by Representative Bill Archer (R-Texas) on May 13 and with 13 cosponsors as H.R. 7406 on May 22.

Further comprehensive legislation was introduced to restrict food stamp eligibility and the national cost of the program, including the proposal of the administration (S. 2537 and H.R. 10244):

S. 1993, Senator James L. Buckley (R-New York) with 16 cosponsors, June 23;
H.R. 8126, Representative Samuel L. Devine (R-Ohio), June 23;
H.R. 8145, Representative Robert H. Michel (R-Illinois) with 24 cosponsors, June 23;
H.R. 8146, Representative Robert H. Michel (R-Illinois) with 24 cosponsors, June 23;
H.R. 8147, Representative Robert H. Michel (R-Illinois), June 23;
H.R. 8547, Representative Roy Taylor (D-North Carolina), July 10;
H.R. 8687, Representative Robert H. Michel (R-Illinois), June 16;
H.R. 8720, Representative John Paul Hammerschmidt (R-Arkansas), July 17;
H.R. 9024, Representative Robert H. Michel (R-Illinois), July 29;
H.R. 9240, Representative Robert H. Michel (R-Illinois) with 10 cosponsors, August 1;
H.R. 9631, Representative Robert H. Michel (R-Illinois), September 17;
H.R. 9871, Representative Henry Hyde (R-Illinois), September 26;
H.R. 10071, Representative Robert H. Michel (R-Illinois) with three cosponsors, October 7;
H.R. 10244, Representative Robert H. Michel (R-Illinois) with 24 cosponsors, October 20;
H.R. 10257, Representative Thad Cochran (R-Mississippi), October 21;
S. 2537, Senator Herman Talmadge (D-Georgia) with five cosponsors, October 21;
H.R. 10354, Representative Robert H. Michel (R-Illinois) with 24 cosponsors, October 23;
H.R. 10361, Representative Philip E. Ruppe (R-Michigan), October 23;
H.R. 10408, Representative Robert H. Michel (R-Illinois) with 19 cosponsors, October 28;
H.R. 10735, Representative Robert H. Michel (R-Illinois) with 11 cosponsors, November 13; and
H.R. 10956, Representative Robert H. Michel (R-Illinois) with eight cosponsors, December 2.

Senator George S. McGovern included a food stamp title in his farm bill, S. 549, introduced on February 3. He also introduced legislation which, among other things, would have increased monthly food stamp benefits. The bill, S. 1627, was introduced on May 5 with 11 cosponsors.

Legislation was also introduced which proposed to eliminate the Food Stamp Program and replace it and other welfare programs with comprehensive welfare reform which would provide a basic welfare grant.

H.R. 6430, Representative Robert J. Cornell (D-Wisconsin), April 28;

H.R. 9154, Representative Robert J. Cornell (D-Wisconsin) with eight cosponsors, July 31; and

H.R. 10852, Representative Robert J. Cornell (D-Wisconsin) with 11 cosponsors, November 20.

Bills were also introduced to expand the program by eliminating the purchase requirement altogether:

S. 2451, Senator Robert Dole (R-Kansas) with one cosponsor, October 2;

H.R. 10441, Representative Tim L. Hall (D-Illinois), October 30;

H.R. 10467, Representative H. John Heinz III (Pennsylvania), October 30;

H.R. 10865, Representative H. John Heinz III (Pennsylvania), with 20 cosponsors, November 20; and

H.R. 11223, Representative Michael J. Harrington (D-Massachusetts), December 17.

Representative J. Kenneth Robinson (R-Virginia) introduced H.R. 2717 on February 4 to make optional, rather than mandatory, the provision that States provide procedures whereby the purchase requirement price would be automatically deducted from public assistance payments.

S. Res. 58, introduced by Senator Robert Dole (R-Kansas) on February 5, directed the Secretary of Agriculture to undertake a study of the Food Stamp Program and submit legislative recommendations.

Senator Edward Brooke (R-Massachusetts) introduced S. 714 on February 18 to provide that social security cost-of-living increases would not be counted as income in determining food stamp eligibility and benefit levels.

Representative Thomas N. Kindness (R-Ohio) introduced a bill, H.R. 6269 on April 24 with four cosponsors on May 22 to replace the Food Stamp Program with a 5-year federally financed program established by the States.

Senator Hugh Scott (R-Pennsylvania) introduced S. 1673 on May 7 providing for automatic certification if the information supplied by applicants appears on the surface to meet income eligibility criteria, so-called self-certification.

Representative Chalmers P. Wylie (R-Ohio) introduced H.R. 8716 on July 17 to prohibit food stamp participation by any alien who has not been lawfully admitted into the United States.

Representative Edward Mezvinsky (D-Iowa) introduced H.R. 8820 on July 22 to provide expanded participation by the elderly.

Senator Lawton Chiles (D-Florida) and nine cosponsors introduced S. 2369 on September 17, providing recommendations for comprehensive food stamp reform.

Representative Don Fuqua (D-Florida) proposed H.R. 10010 on October 3 to restructure the Food Stamp Program.

Representative Larry Pressler (R-South Dakota) introduced H.R. 10359 on October 23, to permit State or local governments to require able-bodied food stamp recipients to perform public service employment.

Senator Frank Church (D-Idaho) introduced legislation, S. 2751, on December 5 to require a program of nutrition education for elderly recipients.

Senator Jacob K. Javits (R-New York) introduced his reform measure, S. 2840, with two cosponsors on December 19.

### 1976

Early in 1976, President Ford renewed his request for legislative action on his administration's recommendations, introduced the preceding fall as S. 2537 and H.R. 10244. In the absence of congressional action, however, President Ford indicated that he had decided to accomplish some of the proposals administratively. Although the Senate Committee on Agriculture and Forestry was involved in markup proceedings, the administration announced in February its intention to proceed with the administrative changes.

These regulations, and the legislative proposals, intended to establish a standard deduction of $100—$125 in the case of households with elderly members—and eliminate the specialized deductions. Income eligibility would be limited to net income at the poverty line. Additionally, the proposal would establish the purchase requirement price at 30 percent of the household's net income.

The administration argued that while some recipients would be removed from the food stamp rolls, others would be added and that the poorest families would receive increased monthly benefits. The administration also indicated that without the cost-saving changes, the program would run short of money for the fiscal year and the transition quarter, and that the administration did not intend to seek a supplemental appropriation. The new regulations were published in the Federal Register on May 4, 1976, and were slated to be implemented on June 1.

However, on May 26, a coalition of organizations and food stamp recipients filed suit in the U.S. District Court for the District of Columbia to stop the regulations from taking effect on the grounds that the Department of Agriculture had not followed appropriate procedures specified in the Administrative Procedures Act. A temporary restraining order was issued on May 28. Subsequently a preliminary injunction was granted. Thus, the regulations never went into effect.

#### *Authorizing legislation: The National Food Stamp Reform Act of 1976*

The Senate Committee on Agriculture and Forestry held 5 days of markup sessions in early 1976 on food stamp legislation.

Several controversial provisions were offered and debated, and the committee conducted 13 roll call votes, including the motion to report the bill, S. 3136. The bill was reported on March 13 by a vote of 10-4. Much of the debate in the Senate committee centered around the proposal by Senators Robert Dole (R-Kansas) and George S. McGovern (D-South Dakota) to eliminate the purchase requirement for all households. The committee rejected the elimination of the purchase requirement by a tie vote of 7-7. The committee report noted that eliminating the purchase requirement would alter the character of the Food Stamp Program by turning it into a welfare program, rather than the traditional nutrition program it had been intended to be. Removal of the purchase requirement, the report said, would remove the assurance that participating households spend a reasonable portion of their own income on food.

The committee bill did change the purchase requirement, however, by requiring that the amount to be paid for food stamps—also known as the benefit reduction rate—be established at 27.5 percent of net income. The 27.5 percent figure represented a compromise between proposals for a 30-percent purchase requirement and a 25-percent purchase requirement. A standard deduction of $100 per month was established in lieu of then existing itemized deductions. The standard deduction was set at $125 for households with elderly members, those 65 years of age and older.

Since the establishment of the program, both by President Kennedy's executive order and the subsequent Food Stamp Act of 1964, it has been the policy to measure "income" as income available to meet living costs, especially food purchases, after certain deductions from gross income have been made. This net, or countable, income has been the standard for determining benefits since the inception of the program. The decision to base benefits on net, rather than gross, income was not based upon any congressional directive, since the law and debates in Congress are essentially silent on the matter, but rather an administrative decision.

By 1976, the number of specialized deductions had grown to these eight as follows:

> *Work allowance.*—Ten percent of income received as compensation for services performed as an employee or for a training allowance, not to exceed $30 per household per month.
>
> *Mandatory deductions.*—Mandatory payroll deductions from earned income such as Federal, State, or local income taxes, Social Security taxes, mandatory retirement payments, and mandatory union dues.
>
> *Medical expenses.*—All medical costs, exclusive of special diets, when costs exceed $10 per month per household.
>
> *Child care.*—Payments for the care of a child or other persons when necessary for a household member to accept or continue employment or preparatory training or education for employment.
>
> *Tuition and mandatory fees.*—Tuition and mandatory fees assessed by educational institutions.
>
> *Support and alimony payments.*—Payments which were court-ordered were deducted from the recipient making such payments.
>
> *Unusual expenses.*—Unusual expenses incurred due to disaster or casualty losses which could not be reasonably anticipated by the household.
>
> *Shelter costs.*—Shelter costs (including rent, mortgage payments, utility bills, etc.) in excess of 30 percent of the household income, after all other allowable deductions had been made.

The committee bill also established a maximum monthly net income ceiling at the poverty level, as established by the Office of Management and Budget. Effective April 1, 1976, this level was $5,496 a year for a family of four. However, because the ceiling was established for net income, the family's gross income could be somewhat higher. The bill also required that income be calculated based on actual income for the 30 days preceding application rather than the anticipated income in the following 30 days. A special provision was also included to minimize any potential hardship on the recently unemployed.

Among other provisions, the Senate Committee's comprehensive bill:

Established a $10 minimum benefit for one- and two-person households;

Mandated in the statute the use of the thrifty food plan to be the basis of the nutritionally adequate diet required by law;

Allowed working families to deduct from gross income any Federal, State, and local income taxes, as well as Social Security taxes, in addition to the standard deduction already described;

Retained the Secretary's authority to set liquid and nonliquid asset limitations, rather than specifying such limits in the statute;

Eliminated from eligibility any household that purposely transferred ownership of a resource in order to meet the food stamp assets test;

Eliminated automatic, or categorical, eligibility for individuals receiving public assistance;

Excluded from eligibility illegal and temporary aliens, college students who were or could be claimed legally as tax exemptions by families that were ineligible for food stamps, persons who failed to meet food stamp work registration requirements, and those who terminated employment voluntarily without good cause, unless they were previously eligible;

Reduced the age requirement from 65 to 60 for those required to sign up for work registration;

Required that households have access to cooking facilities except for households enrolled in a community feeding program for the elderly or a meals-on-wheels program;

Authorized the Secretary of Agriculture to pay State agencies 75 percent of the cost of prosecuting nonwelfare households;

Required States to certify applicants and issue authorization-to-participate cards within 30 days of receiving the application;

Provided States the option to permit recipients on public assistance to have their purchase requirement for food stamps automatically deducted from their public assistance checks;

Required use of bilingual food stamp information material in areas where necessary; and

Directed the Secretary to withhold 10 percent of the Federal share of State administration funds if the State substantially failed to implement its approved plan of operation, including any quality control plan.

Before the bill was considered by the full Senate, Sen. Herman E. Talmadge (D-Georgia), chairman of the committee, negotiated a liberalized compromise of the committee's reported bill with Senator Dole and Senator McGovern, two committee members who had sought greater expansion of the program and elimination of the purchase requirement.

The compromise consisted of a reduction in the purchase requirement to 25 percent, down from the committee's 27.5 percent, a semiannual—rather than annual—adjustment of the standard deduction and the net income ceiling, and an additional $25 per month deduction for working households. The compromise also included a $20 million pilot project on eliminating the purchase requirement. Additionally, lump sum payments (such as income tax refunds and credits) were to be counted as assets, rather than as income as was provided in the committee bill. The compromise also excluded more educational benefits from being counted as income than provided in the committee bill. In exchange for Senator Talmadge's agreement to the compromise, Senators Dole and McGovern agreed not to press their previously stated objective of forcing a vote on eliminating the purchase requirement during full Senate consideration.

Numerous amendments were offered and other parliamentary procedures were used in opposition to the bill and the Dole-McGovern substitute when the bill was brought before the Senate on April 5, 1976.

Senator Carl T. Curtis (R-Nebraska) said:

> The Food Stamp Program is basically a nutrition program administered by the Department of Agriculture to assist the poor in obtaining sufficient food to prevent hunger and undernourishment. The Food Stamp Program should not be extended to become a welfare program to take care of all the needs of the poor. It should not be used as an income supplement program or an aid to education program.
>
> To use food stamps to promote dependency among the able bodied who are not aged is not in the public interest and not in the interest of the recipients.

Senator John Stennis (D-Mississippi) added:

> Certainly there is no doubt that the Food Stamp Program as it exists today does not properly accomplish what was intended when the program originated, and that much of what is going on in the program was neither anticipated nor intended by Congress. It is simply out of control.

The first issue was raised by Senator James A. McClure (R-Idaho) who raised a point of order that the bill violated section 303 of the new Congressional Budget Act of 1974. Section 303 prohibits consideration of a bill providing new spending authority, as described in section 401(c)(2)(C) of that act to become effective during a fiscal year if the first concurrent budget resolution for that year has not been adopted unless a waiver is agreed to by the Senate. The concurrent budget resolution for fiscal year 1977, had not yet been adopted in 1976. The point of order was overruled by the presiding officer on the grounds that the bill would take effect in fiscal year 1976, for which there already was a budget resolution.

On April 5 and 6 a series of amendments were offered to reduce the scope of the program, tighten program eligibility and reduce overall costs. These amendments were sponsored by Senators Carl T. Curtis (R-Nebraska) and Jesse Helms (R-North Carolina), members of the committee, and James L. Buckley (Conservative/Republican-New York).

On April 5, Senators Curtis, Helms, and Buckley, sponsored an amendment to eliminate eligibility for strikers, unless the household was eligible for food stamps before the strike. Sen. Harrison A. Williams, Jr. (D-New Jersey), chairman of the Labor and Public Welfare Committee, made a motion to table the amendment; the motion to table was adopted 48 to 26.

A second amendment offered by Senators Curtis, Helms, and Buckley, to establish assets limits for the Food Stamp Program at the same levels as those used in the Supplemental Security Income [SSI] Program was defeated 25 to 49.

The three Senators next proposed an amendment to base food stamp eligibility on average household income during the preceding 90 days, rather than 30. The amendment was defeated 20 to 57.

On April 6, the three Senators resumed their efforts to amend the bill. They offered an amendment to eliminate the food stamp eligibility of heads of households who were enrolled in postsecondary schools instead of being employed fulltime; the amendment was defeated 31 to 63. A subsequent Curtis-Helms-Buckley amendment to require students over 18 years of age to meet the food stamp work registration requirements was defeated 35 to 61.

A Curtis-Helms-Buckley amendment to raise, from 60 to 65 years of age, the age definition for elderly would be eligible for an extra $25 a month standard deduction was defeated 18 to 77.

The Senators next proposed to lower the age of a youngest child that would exempt the parent from work registration. The amendment proposed to change that age from 12 to 6, to be compatible with the AFDC Program; the amendment was defeated 18 to 78.

An amendment by Senator Curtis to reduce the standard deduction from the proposed level of $100 to $50 was defeated 12 to 85.

An amendment by Senator Curtis to make full-time Federal, State, and local government employees ineligible for food stamps was defeated 18 to 77.

Also defeated, by 23 to 73, was an amendment by Senators Curtis, Helms, and Buckley, to establish the purchase requirement at 30 percent of net income as recommended by the Ford administration, rather than 27.5 percent as in the committee's bill and 25 percent in the Dole-McGovern substitute.

Senator J. Glenn Beall, Jr. (R-Maryland) proposed to require students over 18 who receive food stamps to meet work registration and related requirements during any break or vacation lasting 30 days or more. The amendment was adopted 95 to 0.

Senator Wendell H. Ford (D-Kentucky) proposed to make survivors of miners killed in a March 1976 coal mine disaster in Kentucky eligible for food stamps for a 6-month period without having to meet other eligibility requirements. This amendment was adopted by voice vote.

The Senate turned on April 7 to the Dole-McGovern substitute. In introducing the amendment, Senator Dole also offered a motion to waive a Budget Act restriction against the amendment. Senator James B. Allen (D-Alabama) opposed the waiver. Senator Allen was chairman of the Agricultural Research and General Legislation Subcommittee, the subcommittee with jurisdiction over the Food

Stamp Program. Estimates varied widely on the cost of the Dole-McGovern substitute. Senator Allen and Senator James L. Buckley (Conservative/Republican-New York) suggested that the cost would be anywhere from several million dollars to over $1 billion. Senators Dole and McGovern claimed the substitute, while costing more than the committee's reported bill, would still result in a net cost savings compared to the existing program. On April 8, the Senate agreed to the Dole motion to waive the Congressional Budget Act of 1974 by a 63 to 27 vote.

In supporting the Dole-McGovern substitute, Senator Dole said:

> . . . I am concerned about the inability of many eligible low-income families to actually participate in the program.
>
> . . . As it is presently written, the committee bill enables our poorest citizens to qualify for assistance, but it does nothing to facilitate their actual receipt of food stamp aid.

Much of the criticism of the Food Stamp Program was generated by an advertisement which had appeared in Parade magazine, a weekly news magazine often inserted in Sunday newspapers. The advertisement suggested that families with incomes as high as $16,000 could be eligible for food stamp participation.

Senators Dole and McGovern both spoke in response to the Parade advertisement. Senator Dole said:

> Let me stress again and again we are talking about those in need. We are not talking about those who were alluded to in the * * * advertisement which appeared in Parade magazine several months ago. We are talking about those truly in need who have a net income at the poverty level or below.

Senator McGovern noted:

> We will not have to look at these ads in the Sunday press any more telling people that if they talk to the right experts they can get food stamps, even though they earn $16,000 a year. That is ended if this compromise is accepted.

Senator J. Glenn Beall (R-Maryland) proposed an amendment to direct the Secretary of Agriculture to conduct a study of the utilization of automatic data processing equipment and other computer technology by States and localities in the administration of the Food Stamp Program. The amendment was agreed to by voice vote.

Senator James B. Allen (D-Alabama) then offered a series of amendments, after first failing, 31 to 58, to table the Dole-McGovern substitute. Senator Allen then proposed to eliminate the purchase requirement altogether—a position Senators Dole and McGovern had taken in committee. Senator Allen indicated he wanted to ascertain the Senate's position on the issue. Senator McGovern moved to table the amendment and the amendment was tabled 82 to 5.

Senator Allen then proposed to eliminate the pilot project to test eliminating the purchase requirement from the Dole-McGovern substitute. Senator Dole's motion to table the Allen amendment was adopted 63 to 22.

Senator Lawton Chiles (D-Florida) proposed an amendment to improve quality control and administrative efficiency of the Food Stamp Program by establishing a simplified application form to be used in both AFDC and food stamps and to tighten the quality control system included in the committee's bill. The amendment was adopted by voice vote.

Senator Allen proposed to raise the purchase price to 27.5 percent of net income, the same as the committee's reported version, from the 25 percent figure included in the Dole-McGovern substitute. Senator McGovern's motion to table the Allen amendment was adopted 52 to 29.

Senator Allen proposed an amendment to provide that no State, territory, or possession could receive more than 4 times the per capita national average food stamp benefit. The amendment was aimed at Puerto Rico which, Allen indicated, received eight times the per capita national average benefit and over 50 percent of the population received food stamps. The motion by Senator Dole to table the Allen amendment was adopted by voice vote.

Senator Edward M. Kennedy (D-Massachusetts) proposed to extend for 1 year the agricultural commodities distribution program on Indian reservations. The amendment was adopted by voice vote.

The Dole-McGovern substitute was then adopted 49 to 30, and the final version of the bill passed 52 to 22.

The House Committee on Agriculture reported its food stamp bill, H.R. 13613, by a vote of 21 to 19 on August 10. The House committee conducted 36 business meetings and over 20 roll-call votes on the subject of food stamp legislation in 1976.

Like the Senate bill, H.R. 13613 established a net income eligibility ceiling at the Federal poverty level. The bill also allowed deductions for certain expenses. Rather than a standard deduction of $100 per month, as in the Senate bill, the House Committee bill provided for a sliding standard deduction of between $45 a month, for single persons, ranging up to $85 a month for households of six or more. The purchase price was established at 27.5 percent of income after deductions.

The full House did not act on the bill during the remaining days of the 94th Congress, before the adjournment prior to the 1976 elections.

### *Emergency Food Stamp Vendor Accountability Act of 1976*

The one issue the Congress did act on conclusively in 1976 was the problem of vendor fraud. Vendors were organizations or business authorized by States to sell food stamp coupons to program participants.

Concerns had been expressed that vendors were using the money received from receipt of the purchase price (paid in exchange for actual coupons) as a "float"—that is, by making late deposits of such money—or for investment purposes.

Because of the expected time delay in handling the vendor issue through the comprehensive food stamp bills, Congress acted separately on S. 2853, introduced by Senators Jesse Helms (R-North Carolina), James B. Allen (D-Alabama) and Robert Dole (R-Kansas) on January 31, 1976. S. 2853 was designed to reform the procedure surrounding the collection and use of payments for food stamps by food stamp vendors.

Senator Helms noted:

> Evidence exists to indicate that over the years vendors have been holding onto accumulated receipts from the sale of food stamps for extended periods, instead of depositing them promptly as requried. To the extent that they may have made use

of such money for unauthorized purposes, it has been charged that they clearly manipulated the Food Stamp Program—callously and unconscionably exploiting both the truly needy and the hard-pressed American taxpayer.

The Senate Committee on Agriculture and Forestry reported the Helms bill on March 29, shortly after the more comprehensive bill, S. 3136, had been reported from committee. The Senate passed the vendor accountability bill by a 71-0 vote on April 8, immediately after it passed the more comprehensive food stamp bill.

The House Committee reported S. 2853 on June 18, and the full House approved the bill on June 22 by a 407-0 vote.

President Ford signed the bill on July 6, 1976 (Public Law 94-339) although he expressed regret that more comprehensive food stamp reforms had not been enacted.

The new law:

Specified that funds received by vendors from the sale of food stamps were Federal funds;

Required that vendors deposit funds with the Federal Government at least weekly, with any amount over $1,000 to be deposited within 2 banking days. Vendors failing to comply would face fines up to $3,000 and imprisonment up to 1 year;

Prohibited vendors from using food stamp funds for any private purpose, and provided for violations of this prohibition for fines up to $10,000 or the amount of the funds involved, if greater, and imprisonment up to 10 years. Violations involving less than $1,000 would bring lesser penalties.

*Appropriations and budget consideration*

In early 1976, the Congress considered the second supplemental appropriation bill, H.R. 13172. As the bill passed the House on April 13, the bill did not include any food stamp funding. However, the Senate Appropriations Committee included $400 million for the transition quarter to ensure that sufficient funds would be available for the Food Stamp Program, although the administration had not requested the money. The conference compromised at $200 million which was included in the bill that became Public Law 94-303.

On April 29, 1976, during House floor consideration of the budget resolution, H. Con. Res. 611, an amendment was offered by Representative Robert H. Michel (R-Illinois) to reduce the Budget Committee's recommendation for food stamp spending from $5.936 billion to $4.79 billion, the figures contained in the President's budget. The amendment was defeated 147 to 229.

Another vote on the Food Stamp Program occurred on June 16, 1976, when H.R. 14237, the Agriculture Appropriations bill for fiscal year 1977 was being considered in the House. An amendment was offered by Rep. John Rousselot (R-California) to lower the appropriation from the committee's recommended level of $4.79 billion to $4 billion. It failed 184 to 222. The Senate agreed with the House figure and the appropriation became part of Public Law 94-351. The appropriations bill included the same limitation on college student participation that had been included in the appropriations bills for fiscal years 1975 and 1976 (Public Laws 93-563 and 94-122).

*SSI cashout continued*

Congress again provided a 1-year extension of the suspension of the provision enacted in 1972 exluding SSI participation in the Food Stamp Program (Public Law 94-365). Additional SSI legislation (Public Law 94-379) permitted California to remain a cashout State even though it could not meet certain previous requirements which had been imposed on States in order to be granted continued cashout status. California would be required to insure cost-of-living increases for SSI recipients.

*Other legislation*

On July 26, 1976, during the House consideration of H.R. 10133, a bill to upgrade certain positions in the U.S. Department of Agriculture, a committee amendment was offered to upgrade the position of the Administrator of the Food and Nutrition Service within the Department of Agriculture. The Administrator has responsibility for the overall administration of the Food Stamp Program. The committee amendment failed 171 to 207.

Legislation was also enacted (Public Law 94-585) to make public assistance withholding permanently optional with each State. The action permanently reversed the 1973 food stamp provision which had made withholding mandatory for the States. The withholding provision permitted food stamp households who also received AFDC benefits to have the purchase requirement deducted from their AFDC payment in order to purchase their monthly food stamp benefits.

*Legislation introduced—1976*

In addition to the legal action taken against the administration's proposed implementation of regulatory changes in the Food Stamp Program, congressional opposition had been voiced in the form of legislation to prohibit the implementation of the rules (which the injunction prevented):

H.R. 12064, Representative Frederick Richmond (D-New York), with five cosponsors, February 24;
H.R. 12442, Representative Frederick Richmond (D-New York), with 22 cosponsors, March 11;
H.R. 12443, Representative Frederick Richmond (D-New York), with one cosponsor, March 11;
H.R. 12748, Representative Frederick Richmond (D-New York), with 21 cosponsors, March 23;
S. Res. 429, Senator George S. McGovern (D-South Dakota) and two cosponsors, April 8, 1976;
H.R. 13245, Representative Frederick Richmond (D-New York), with five cosponsors, April 13; and
H.R. 14224, Representative Frederick Richmond (D-New York), with three cosponsors, June 7.

Much of the legislation introduced in 1976 was similar to proposals introduced in the first session of the 94th Congress, in 1975. For instance, additional bills were introduced to eliminate college students from participation:

H.R. 12549, Representative Jerry Litton (D-Missouri), with one cosponsor, March 16; and

H.R. 14404, Representative Jerry M. Patterson (D-California), June 16.

Also continued were efforts to effect comprehensive welfare reform.

S. 3000, Senator Jacob K. Javits (R-New York), and two cosponsors, February 19, 1976;

H.R. 12044, Representative Robert J. Cornell (D-Wisconsin), with seven cosponsors, February 24;

H.R. 14031, Representative Robert J. Cornell (D-Wisconsin), with three cosponsors, May 26; and

S. 3665, Senator J. Glenn Beall, Jr. (R-Maryland), and one cosponsor, July 19.

Representative H. John Heinz III (R-Pennsylvania) introduced H.R. 11945 with 5 cosponsors on February 18 to eliminate the purchase requirement.

Other legislation was introduced to deal with the cashout issue in the SSI Program:

H.R. 14502, Representative James C. Corman (D-California), June 22;

H.R. 14514, Representative James C. Corman (D-California), June 23;

S. 3656, Senator Mike Mansfield (D-Montana), July 2; and

H.R. 14764, Representative William M. Ketchum (R-California), July 20.

Additional bills to tighten Food Stamp Program eligibility were:

H.R. 11615, Representative Robert H. Michel (R-Illinois), with two cosponsors, January 29;

H.R. 13375, Representative W.R. Poage (D-Texas), April 28; and

H.R. 13705, Representative W.R. Poage (D-Texas), with 11 cosponsors, May 11, 1976.

Other legislation was intended to speed delivery of food stamp benefits, require bilingual materials, and increase Food Stamp Program participation similar to S. 2840 introduced by Senator Jacob Javits (R-New York) in 1975:

H.R. 11646, Rep. Edward I. Koch (D-New York), with one cosponsor, February 3;

H.R. 12335, Representative Edward I. Koch (D-New York), with 10 cosponsors, March 4; and

H.R. 12483, Representative James H. Scheuer (D-New York), with two cosponsors, March 11.

Other legislation introduced in 1976 included:

H.R. 12777, Representative Andrew Young (D-Georgia), March 24; and

H.R. 14187, Representative Pierre duPont (R-Delaware), June 4.

## 1977

### *Overview--1977*

As part of the 1977 farm bill, the Carter administration proposed, and Congress enacted, a complete revision of the Food Stamp Act, repealing the 1964 act. The revision was contained in title XIII of Public Law 95-113.

Calls for food stamp reforms had begun in 1975, when food stamp costs and participation escalated dramatically. The participation growth was the result of increasing unemployment, and the entry of the remaining counties and territories including Puerto Rico, into the Food Stamp Program.

In the preceding Congress, both Houses had considered major food stamp reform, but no major overhaul was achieved in either 1975 or 1976. The 1977 action fundamentally reformed the program in several respects. Most attention focused on the proposal, supported by the new Carter administration, to eliminate the purchase requirement for all households. Although there had been disagreement about the concept in the past, both Houses approved the elimination of the purchase requirement by wide margins.

The new act combined this major liberalization with several measures intended to restrict eligibility and benefits, and extended the program for 4 years.

### *Authorizing legislation: The Food Stamp Act of 1977*

Both Houses continued the previous practice of aligning food stamp consideration with deliberations on farm legislation. The Senate Committee on Agriculture, Nutrition, and Forestry reported food stamp legislation as a part of its farm bill, the Food and Agriculture Act of 1977, S. 275, on May 16.

(Note.—In the mid-1970's pressure had mounted, similar to that several years previously in the House, for realignment of the Senate's committee structure. On March 30, 1976, the Senate adopted S. Res. 109, creating the Temporary Select Committee To Study the Senate Committee System. The select committee's report was concluded on November 15, 1976. The 95th Congress considered the recommendations in early 1977 in S. Res. 4. The Senate adopted the recommended changes which included the termination of the Select Committee on Nutrition and Human Needs—which had been established in 1968. It was to be abolished effective December 31, 1977. The jurisdiction previously within the Select Committee on Nutrition and Human Needs was transferred to the Committee on Agriculture and Forestry, which was renamed the Committee on Agriculture, Nutrition, and Forestry. A new Subcommittee on Nutrition was formed within the full committee. Senator George McGovern (D-South Dakota) who had been chairman of the select committee was named chairman of the subcommittee. The Food Stamp Program, which had always been an implicit part of the committee's jurisdiction, was now specifically made a part of the committee's jurisdiction under S. Res. 4.)

The Senate committee voted 11-6 in favor of eliminating the purchase requirement, despite opposition from the committee chairman, Senator Herman E. Talmadge (D-Georgia). Elimination of the purchase requirement had been urged by the new administration of President Jimmy Carter.

In an effort to simplify program administration, the Carter administration had recommended that the deduction system be streamlined by replacing the existing special deductions with two deductions—$80 per month for all households, and a second deduction equal to 20 percent of earned income for households with such income. However, the Senate committee established four deductions, two the administration proposed—although the standard was established at $60 per month—and two additional deductions for shelter costs and dependent care expenses. The shelter deduction provided that households could receive a deduction for the amount by which their shelter costs exceeded 50 percent of their income after all other deductions; the maximum shelter deduction would be $75. The dependent care deduction was established at a maximum of $85 per month for expenses of caring for a dependent when the care was necessary to allow a household member to accept or continue employment, training, or education. The standard deduction was to be indexed semiannually; there was no indexation for the other deductions.

The committee rejected by 8 to 9 an amendment to establish the earned income deduction at 15, rather than 20, percent.

The bill established in law work registration requirements which had been in regulation for physically and mentally fit recipients between the ages of 18 and 60.

Recipients were required to accept an offer of employment paying the mininum wage except for good cause or if the job was at a site or plant subject to a strike or lockout. The only recipients not subject to the work registration requirements were persons responsible for the care of a dependent child under age 12 or an incapacitated person, a parent with children where another household member was subject to the work requirement, a student enrolled at least half-time, participants in drug addiction or alcoholic treatment programs, or a person who was employed at least 30 hours a week or who received weekly earnings of 30 times the minimum wage (then $2.30 per hour), or a person registered in the Work Incentive [WIN] Program under AFDC.

The committee bill also made several changes intended to tighten the work requirements of the program.

The bill required that recipients register for work at the time they applied for food stamps and every 6 months thereafter.

The committee bill also required that an applicant household whose head voluntarily quit a job without good cause would be ineligible to participate for up to 60 days. Participation in a strike or lockout was not considered a voluntary quit.

The committee bill also eliminated automatic, or categorical, eligibility for public assistance households.

The bill also provided that recipients could receive cash change for food stamp purchases as long as the amount of change was under $1 (the lowest coupon denomination issued). Under existing practice, recipients were given scrip, essentially a credit voucher, redeemable for food at the issuing retail store.

The reported bill extended the program for 2 years, as requested by the Carter administration, because further changes were expected as a result of comprehensive welfare reform.

The farm bill, including the food stamp title, was debated on May 23 and 24, 1977. Most food stamp amendments to the committee's bill were defeated. Senator Carl T. Curtis (R-Nebraska), led the opposition to the elimination of the purchase requirement and to other aspects of the bill.

On May 24, Senator Strom Thurmond (R-South Carolina) offered an amendment to prohibit food stamps for strikers. (A similar amendment had failed in committee 7 to 9.) Senator John Melcher (D-Montana) moved to table the amendment. The tabling motion passed 56 to 38.

Senator Carl T. Curtis (R-Nebraska) proposed to require photographic identification cards for food stamp recipients, a national application cross-check system to prevent recipients from participating in more than one location, and a system for monitoring recipients' earnings. (A similar amendment had been defeated in committee 7 to 9.) His amendment was defeated 37 to 57.

Senators George S. McGovern (D-South Dakota), Robert Dole (R-Kansas), and Hubert H. Humphrey (D-Minnesota) proposed to reauthorize the Food Stamp Program for 5 years instead of for 2 years as in the committee-reported bill. Five years would correspond to the length of authorization for the agricultural aspects of the bill. (A similar amendment had been defeated in committee 9 to 9.)

With respect to the amendment Senator McGovern said:

> It will probably take a minimum of 6 months to implement anything that we do here in Congress in 1977 and, almost before we get these new food stamp reforms in operation, if we go forward with the 2-year extension, we will have to face the issue of the Food Stamp Reform Act.

Senator Talmadge noted that comprehensive welfare reform was being proposed by the Carter administration and said:

> If we adopt this amendment it will prejudice consideration of welfare reform alternatives by holding out the possibility of continuing and expanding free food stamps as a substitute for real welfare reform.

The amendment was defeated 46 to 49.

Senator Lee Metcalf (D-Montana) proposed an amendment, adopted by voice vote, to permit elderly (over age 60) recipients who received SSI benefits to be able to purchase with food stamps meals served by public or private nonprofit establishments that contracted to serve such meals at concessional prices—that is, congregate feeding centers.

Senator Curtis proposed an amendment to strike from the bill the provision eliminating the purchase requirement.

Proponents of eliminating the purchase requirement argued that the existing purchase requirement served as a barrier to participation among many low-income families. In particular, they claimed that elimination of the purchase requirement would improve participation among the elderly poor and among those with incomes below the poverty line. They argued that it would result in streamlining the program (by eliminating administrative costs associated with selling coupons to recipients) and that fraud (among vendors selling coupons) would be eliminated. They also noted that it would mean less "big brother government" telling recipients how much to spend for food, when to purchase food, and how to budget their money for food.

With regard to the argument that the new program was providing free food stamps, Senator Dole responded:

> Insofar as the free program concept is concerned, that may raise a few hackles, but this is not the only free Federal program. In fact, for example, there were some agriculture disaster payments programs, amounting to $430 million last year. Producers did not pay anything for these.
>
> In addition, we have deficiency payments, dairy and beekeeper indemnification programs, school lunch programs, WIC, the commodities supplemental food pro-

gram, child care feeding programs, SSI, aid to families with dependent children, medicaid, unemployment compensation, and education opportunity grants which have no purchase requirement, and all these items add up to billions of dollars.

Senator Curtis on May 23 summarized the objections of the opponents to eliminating the purchase requirement:

> When the Food Stamp Program was created, the Congress believed it should supplement what an individual was already spending for food, to make certain that he had a nutritionally adequate diet. To insure this nutritional focus and to provide for, in effect, a maintanance of effort, the purchase requirement was developed. Over the years, liberal legislation has whittled it down so that it no longer represents what the individual formerly spent for food. Nonetheless, a purchase requirement is essential to the nutritional integrity of the program.
>
> Under this bill, food stamps will be free. No longer will a recipient have to put up a portion of his income to get, in return, a much larger amount of stamps. This means the program will become nothing more than an income transfer gimmick, not a nutrition program. A food stamp user will not have to commit part of his income for food. Food stamps will not supplement his own grocery money. They will supplant it. They will merely free up his grocery money to be used in other ways. This is a tremendous victory for anyone who wants to see the children and elderly relatives of the poor go hungry.
>
> But it is a tragic defeat for the American taxpayer. Millions of persons who have not enrolled in the Food Stamp Program because they did not want to commit their own funds for part of their groceries will now be able to walk in and pick up their free stamps, which are as negotiable as currency and worth many times their weight in junk food. What is this going to do to the progrm's costs? Last year, the Congressional Budget Office estimated that it would increase them by at least $800 million and perhaps as much as $2.5 billion.
>
> That staggering sum can be considered the funeral expenses for the Food Stamp Program. Without the purchase price, it does not have a chance. Tens of millions of Americans will get their monthly handout from USDA, and it will be only a matter of time before the stamps are transformed into cash and the cash is combined with SSI, AFDC, and whatever else to become a guaranteed annual income.

Senator Curtis then quoted Senator McGovern as having testified that:

> We are moving toward the concept of a single flat income maintenance guarantee. Now, very frankly, when you eliminate the purchase price, you are taking a step in that direction, and it is probably a step that is more palatable to the Congress and the American people than talking about a guaranteed income. Nobody is more painfully aware of the hazards on that approach than I am.

Senator Curtis continued:

> This was the real battle over food stamps: whether the program would survive for the nutritional benefit of the poor or would be replaced with a guaranteed annual income for the satisfaction of welfare theorists.

Emphasizing the accessibility issue, proponents of eliminating the purchase requirement responded that it was pointless to have a purchase requirement to maintain a program with a nutritional focus, if the purchase requirement itself kept families off the program entirely.

The Curtis amendment was defeated 31 to 64. Subsequently, Senator John Tower (R-Texas) proposed a reinstatement of the purchase requirement on a sliding scale based on income. His amendment was defeated on a standing vote.

Senator Lawton Chiles (D-Florida) proposed an amendment, as he had in 1976, to provide a single eligibility interview and improved quality control plans to address State problems with overissuances. The amendment also included a requirement to establish a nutrition status monitoring system. The amendment was adopted by voice vote.

Senator Edward Brooke (R-Massachusetts) proposed an amendment to exclude from income, for food stamp purposes, reimbursements to individuals engaged in work training programs. The amendment was adopted by voice vote.

Senator Curtis proposed a third amendment to eliminate the four deductions established by the bill and substitute an income eligibility limit at 125 percent of the poverty level, rather than the net eligibility limit of 100 percent of the poverty level in the committee's bill. The amendment failed 27 to 64.

Senator S. I. Hayakawa (R-California) proposed an amendment to eliminate college students from food stamp eligibility. (A similar amendment had failed in committee 4 to 12.) His amendment was defeated 26 to 63.

The farm bill with the food stamp title, was passed by a vote of 69 to 18 on May 24. Unlike the Senate committee, the House committee reported a food stamp bill separate from its farm bill.

The House Agriculture Committee filed its report on food stamp legislation, H.R. 7940, on June 24.

Like the Senate bill, the House bill provided for the elimination of the purchase requirement. Also like the Senate bill, a standard deduction of $60 (indexed semiannually) was established as well as an earned income deduction equal to 20 percent of earned income. However, the dependent care and shelter deductions were slightly different from the Senate version. The dependent care deduction was established at actual expenses up to $75 per month, rather than $85 as in the Senate bill. The House bill also included a shelter deduction of up to $75 a month for shelter costs in excess of 50 percent of a household's net income. However, the Senate version provided that the deduction would be taken before a determination of whether the household met the net income text for eligibility. In the House bill, the deduction was only available to households whose net income was already below the poverty guidelines before calculating a shelter deduction. The effect of the difference was that more households would be eligible for the program under the Senate approach than under the House version.

Work registration requirements in the House bill were similar to those in the Senate-passed bill, except that the House also included authority for the establishment of workfare pilot projects in every State. Under the workfare system, able-bodied recipients could be required to work in community service jobs each month. The number of hours of work would be determined by dividing the household's benefits by the minimum wage to determine the number of hours to be worked each month. At the time the provision was adopted the average monthly benefit was about $75 a month per household so that the average workfare allotment would be about 7 or 8 hours per week—$75 divided by $2.30 (minimum wage) divided by four (weeks per month).

The House bill barred college students from the program unless (1) they could not be claimed as tax dependents, (2) their parents would be eligible for food stamps if the students could be or were claimed as tax dependents, and (3) they were working at least 20 hours a week, were registered for at least 20 hours of work, were the head of a household with at least one dependent or were otherwise exempt from work registration.

The limitation was similar to the provision which had been included in the agriculture appropriations bills for fiscal years 1975, 1976, and 1977.

The House committee also changed the assets limitations by establishing an assets limit of $2,250 for households with two or more persons. Existing regulations limited assets to $1,500 for all households except that households of two or more individuals, one of whom was 60 or over, had an assets limit of $3,000. Additionally, the House bill counted toward the assets limit the fair market value above $4,500 of any vehicle owned by the household except one car used to produce earned income. Under existing regulations, a car used for household transportation, regardless of value, was exempt from the assets limit, and a second car was also exempted if it was necessary for a household member's employment.

The committee bill established penalties of 3 months disqualification for a determination of fraudulent activity in connection with the program, with between 6 and 24 months additional disqualification if the individual was found guilty by a court of civil or criminal fraud. The bill also provided for 75 percent matching, rather than the current 50 percent, for administrative costs associated with investigation and prosecution of fraud in the program.

The committee bill established an incentive system for States to reduce errors in the administration of the program. Under this system, the States would receive 60 percent Federal funding for administrative expenses if a State's error rate was reduced below 10 percent and 65 percent if the error rate was reduced below 5 percent. The system also permitted the Secretary to reduce the administrative funding for States that failed to achieve the reductions.

The House considered the food stamp legislation in late July. The first procedural motion was to adopt the rule permitting consideration of the bill. The rule provided for adding the food stamp bill, H.R. 7940, to the omnibus farm bill, H.R. 7171, as a new title XII. Despite some objections to the merger, the rule allowing the consolidation of the food stamp and farm bills was approved on July 19 by 367 to 38.

On July 27 the House defeated amendments to establish greater controls on the types of foods that could be purchased with food stamps. Representative Robert S. Walker (R-Pennsylvania) offered an amendment to permit recipients to buy only nutritional foods, as determined by the Secretary of Agriculture, with food stamps. The amendment also would have required that nutritional foods be so labeled. It was defeated by voice vote.

Representative Steven D. Symms (R-Idaho) offered an amendment to bar the use of food stamps to buy foods that the Secretary of Agriculture determined were of negligible nutritional value, which the amendment described as including chewing gum, ice cubes, carbonated beverages, and artificial food colorings.

The Symms amendment provided that the Secretary of Agriculture would consult with the Food and Nutrition Board, which is a component of the National Research Council under the National Academy of Sciences.

Representative Symms indicated that—

> The Secretary would consult with nutritional experts and make a commonsense determination as to items that cannot be purchased.

Opponents of the amendment argued that such distinctions would be difficult to determine and even more difficult to enforce in grocery stores. The amendment was defeated 185 to 227.

The House Agriculture Committee bill had reauthorized the program for 4 years but without authorization ceilings. (The Senate bill provided a 2-year reauthorization without authorization ceilings.) Representative Dawson Mathis (D-Georgia) proposed an amendment to impose authorization ceilings for each of the 4 years. The limits established in the Mathis amendment, adopted 242 to 173 on July 27, were $5.85 billion for fiscal year 1978, $6.16 billion for fiscal year 1979, $6.19 billion for fiscal year 1980, and $6.24 billion for fiscal year 1981. If program needs exceeded the subsequent appropriations, household allotments would be reduced by an amount necessary to stay within the ceilings. Before adopting the Mathis amendment, the House rejected an amendment by Representative Delbert L. Latta (R-Ohio) that would have amended the fiscal year 1978 ceiling to $5.6 billion, the amount requested by the Carter administration. The Latta amendment was defeated 168 to 248.

Representative Matthew F. McHugh (D-New York) proposed an amendment to provide annual indexing of the $75 excess shelter deduction beginning January 1, 1979. Representative Steven D. Symms (R-Idaho) raised a point of order that the amendment violated section 303 of the Budget Act of 1974 because the amendment provided new spending authority before the budget resolution for that year had been passed. The Symms point of order was upheld by the chair, thereby precluding further consideration of the McHugh amendment.

However, Representative McHugh subsequently revised his amendment to provide annual indexing beginning January 1, 1978, a year earlier than in the previous amendment. Since a budget resolution for that year had already passed, another Symms point of order was overruled. The amendment to provide annual indexing of the excess shelter deduction was adopted by a division vote of 45 to 19.

The House also considered several variations on the perennial question of food stamps for strikers. Representative Richard Kelly (R-Florida) proposed an amendment to prohibit food stamps for strikers and their households unless the household was eligible for the program before the strike.

Proponents of the amendment offered arguments similar to those made in previous years that by making food stamps available to strikers the Government was injecting itself into labor-management disputes on the side of workers, unfairly tilting the balance in collective bargaining and potentially prolonging the strike.

Opponents argued, as they had in previous years, that few people actually received food stamps because of strikes and that by denying food stamps to the whole household, relatives of persons on strike, including small children, were being punished for the actions of the striking household member who may actually have opposed the strike.

Representative Millicent Fenwick (R-New Jersey) proposed a modification to the Kelly amendment which would have permitted food stamps to go to strikers' households with children under 16, provided the household met other eligibility requirements. Her amendment was defeated 152 to 266. She then offered a similar amendment to permit food stamp eligibility for strikers' households containing children under 16 or disabled or elderly dependents. The amendment was defeated 190 to 227. Representative Kelly's original amendment was then defeated 170 to 249.

As in the Senate, much of the attention relating to the food stamp section of the bill focused on the elimination of the purchase requirement recommended in the committee bill. Representative Steven D. Symms (R-Idaho) proposed an amendment to restore the purchase requirement. The arguments for and against elimination were much the same as in the Senate debate and other previous discussions on the subject. The amendment was defeated 102 to 317 on July 27.

The House then considered an amendment by Representative James M. Jeffords (R-Vermont) that would have required food stamp households to pay back through the tax system some or all of the food stamp benefits they received during a calendar year if their adjusted gross income for the year exceeded twice the poverty line. Representative Jeffords argued that the recoupment of benefits from households who were only temporarily in need would more appropriately target benefits to those in greatest need, that is, those who were poor throughout the year rather than just part of the year. His recoupment amendment was defeated 149 to 262.

Representative Henry J. Nowak (D-New York) proposed an amendment to require States to have special contingency plans for use of food stamps in disaster areas. The amendment was agreed to by voice vote.

On July 28, Representative James M. Jeffords (R-Vermont) proposed an amendment to permit States to cashout the Food Stamp Program (that is provide cash in lieu of food stamps) for elderly and disabled recipients. The amendment was agreed to by voice vote.

The House also considered an expansion of the workfare concept included in the committee's reported bill. Representative Paul Findley (R-Illinois), the author of the committee's provision, offered an amendment that would have required the Secretary of Agriculture to set up a workfare pilot project in any community that wanted one. The committee's version provided for an 18-month pilot project to be conducted in each State and the District of Columbia, at the request of localities. Thus, the maximum number of pilot projects in the committee's bill was 51; the Findley amendment would have permitted an unlimited number of localities to opt for a workfare requirement.

Representative Virginia Smith (R-Nebraska), speaking in favor of the Findley amendment stated that, "The workfare principle should be expanded, and we ought to have the opportunity to use it wherever the local areas want to do so." Other supporters noted that the administration had opposed the workfare pilot project in committee and urged that the amendment be adopted to ensure that the administration would approve workfare pilot projects, when requested. Opponents argued that the concept should be studied, via the pilot projects, before jurisdictions were permittted to implement the workfare requirement for able-bodied recipients.

The Findley amendment was defeated 159 to 255.

Only July 28, the House adopted the Foley amendment which provided the House include the amended text of the food stamp bill, H.R. 7940, as title XII of the House farm bill. The Foley amendment was adopted 320 to 91. The House farm bill was subsequently adopted 294 to 114.

The Food Stamp Act of 1977 contained in Public Law 95-113 kept some of the basic features of the old Food Stamp Program; however, it also made substantial changes.

Conferees agreed to the authorized levels specified in the House bill for the 4-year period of the bill.

Income eligibility provisions were changed by lowering the net income eligibility standards and eliminating or restricting the use of various deductions. Specifically, the net income eligibility standards were lowered to the annually indexed poverty level, which represented at the time a reduction in the income standards of about $100 per month for a four-person household. Additionally, the eight unlimited deductions previously allowed were narrowed to the following three:

> A standard deduction of $60 per month for all households, to be indexed semiannually;
>
> A deduction equal to 20 percent of any earned income, to compensate for taxes and work expenses; and
>
> A deduction for excess shelter costs and dependent care expenses, the combination of which could not exceed $75 per month, to be indexed annually.

In effect, these changes put an effective gross income eligibility ceiling on the program where none had existed before. The result of the changes was that, on average, more income was counted in determining eligibility, and thus fewer households were eligible than under the old program—over 3 million fewer eligible persons it was estimated by the Department of Agriculture at that time.

The same changes made in the determination of income (fewer and more restrictive deductions) for eligibility purposes applied to the determination of income for benefit purposes as well. This generally resulted in more net income for many participating households and thus smaller benefits. However, this was not true for all households. The lower income households that, under the old program had not had the chance to deduct expenses because they did not have the income to spend on deductible expenses benefited by the introduction of the new standard deduction, since it was applied to all households without regard to expenses. As a result, the limitation on deductions in the new act tended to count more income than before in the case of higher income recipients and less income than before in the case of lower income recipients.

With regard to the dependent care and shelter deductions, a compromise was agreed on. Rather than two separate deduction limits, one deduction limit was established for both purposes. A maximum deduction of $75 per month could be claimed for dependent care and/or excess shelter costs. A shelter cost deduction was permitted to the extent that total household shelter costs (including heating and utilities) exceed 50 percent of income after all other deductions. A dependent care deduction was permitted for any expenditures for dependent care required because of employment. Like the

Senate version, the compromise provided that the deduction was to be used both for determining eligibility and benefit levels; the House had provided for use of the deduction only for determining benefit levels. The deduction was to be adjusted annually to reflect changes in the cost of shelter, utilities, and fuel in the Consumer Price Index. The deduction limit was to be indexed annually.

With regard to workfare, the conferees agreed to establish 14 pilot projects, 1 in an urban area and 1 in a rural area, in each of the 7 USDA regions.

The conference report also established assets limits at $1,750 per household for most households while increasing the amount of which the value of any car which was counted as an asset. The prior law authorized the Secretary of Agriculture to establish asset levels, which, since 1971, had been $1,500. (The higher limit of $3,000 still applied to households of two or more persons, one (or more) of whom was elderly.

Other eligibility changes included:

Making persons who voluntarily quit a job ineligible for 60 days (however, this limitation did not apply to those who quit their job after beginning to receive food stamp benefits);

Tightening the work registration requirements by making more persons subject to them, and requiring the conduct of "job searches";

Making the eligibility rules governing aliens and college students more restrictive;

Eliminating the rule which had made cash welfare recipients categorically, or automatically, eligible for food stamp benefits;

Providing that cash change of under $1 (rather than a credit voucher, or scrip, as previously) could be given to food stamp recipients;

Providing a minimum disqualification period of 3 months for individuals who violated the provisions of the program, and authorized an additional 6 to 24 months if found guilty by a court of criminal or civil fraud in regard to program participation;

Establishing a quality control system for monitoring and reducing the rate of errors committed in determining basic eligibility and benefit levels; and

Making permanent the ineligibility of SSI recipients in those States operating a cashout program for SSI recipients (then California, Wisconsin, and Massachusetts) and the eligibility of SSI recipients in other (most) States.

The most significant change of the new act was the elimination of the purchase requirement. In removing the purchase requirement, the new act substituted a "benefit reduction" that reduced a household's "maximum benefit" (the old "allotment") by 30 percent of any net, or countable, income. Thus, rather than paying a purchase requirement, and receiving a full (nutritionally adequate) allotment, a participating household would receive instead a benefit that was roughly equivalent to the old bonus value of food stamp benefits.

Households with the lowest incomes would continue to receive the maximum allotment still equal to the full value of the thrifty food plan. However, for most households those with countable income, the new allotment would be a supplemental amount equal to the previous bonus value of food stamps. For these households, the remainder of the household's monthly food expenditures to equal the thrifty food plan was expected to come from an amount equal to 30 percent of its countable income. In essence, this part of the expenditure would be paid at the grocery store, rather than being used to purchase the food stamps.

Proponents of removal of purchase requirement had argued that this would be an incentive for participation among eligible households. Under the old law, it was estimated by the Department of Agriculture that participation among eligible persons was about 55 percent. It was expected that the removal of the purchase requirement eventually would bring 3 million or more previously eligible persons onto the program and increase the participation rate to close to 70 percent.

The fact that the "benefit reduction rate" was set at a standard 30 percent of countable (net) income, rather than the old variable (10 to just under 30 percent of income) schedule, meant that households lost benefits if as much or more income was counted as under the pre-1977 law.

At the time of enactment, the benefit provisions of the 1977 act were expected to reduce benefits for roughly one-quarter of the existing recipients, hold benefits roughly constant for about one-half of the existing recipients, and increase benefits for the remaining quarter. In addition, as mentioned earlier, a substantial number of new recipients were expected, representing a 20 percent increase in participation.

The new Food Stamp Act of 1977 (Public Law 95–113) placed a number of new responsibilities on States and localities with the goal of increasing their responsiveness to both applicants and recipients, as well as encouraging better administration and the reduction of fraud and abuse. For instance, time limits for administrative action and a number of other recipient-oriented changes—such as increased use of telephone interviews and mail application and issuance in certain cases—coupled with the greater simplicity (fewer deductions) of the new program, were expected to ensure that applicants and recipients got benefits in a timely and correct fashion. The new financial incentives to States for improved administration and pursuit of fraud cases were aimed at increasing State and local activity to reduce error rates and pursue and prosecute fraud cases.

In addition, to the workfare pilot projects, pilot projects were established to test giving cash benefits in lieu of food stamps to elderly and disabled households.

Due to the concern over Food Stamp Program costs, the new act placed dollar limits on annual food stamp appropriations and provided for a reduction in benefits if full entitlement needs exceeded these amounts. The program was authorized through fiscal year 1981 and the appropriations ceilings for each year were set at roughly $6.2 billion.

Between the passage of the Food Stamp Act of 1977 and its implementation in early 1979, food stamp participation fell to an average of about 16 million persons per month, because of improvements in the economy, and program costs rose only slightly, primarily due to food-price indexing of benefits.

### *Fiscal year 1977 supplemental appropriations*

The administration of newly elected President Jimmy Carter requested a supplemental appropriation of $720 million for the Food Stamp Program to continue operating the program through the fiscal year, ending September 30, 1977.

The House Appropriations Committee recommended that amount in the supplemental appropriations bill, H.R. 4877, reported from the committee on March 11. The House passed the bill by a 306 to 98 vote on March 16 and the Senate followed by a 69 to 15 vote on April 1. The $720 million was included in the conference report, adopted 264 to 142 in the House on April 21 and by the Senate the following day by voice vote. The bill became Public Law 95-16.

### *Fiscal year 1978 appropriation*

The House Appropriations Committee included $5.67 billion for the Food Stamp Program, the amount of the Carter administration request, in its agriculture appropriations bill, H.R. 7558, for fiscal year 1978. The bill was reported on June 2.

When the bill was considered by the House on June 21, Representative John H. Rousselot (R-California) proposed an amendment to lower the food stamp appropriation from $5.67 billion to $5 billion. His amendment failed 154 to 262.

Representative John M. Ashbrook (R-Ohio) proposed an amendment to prohibit food stamps for strikers. Representative Jamie Whitten (D-Mississippi), chairman of the Agriculture Appropriations Subcommittee, and Representative Thomas Foley (D-Washington), chairman of the Agriculture Committee, raised a point of order against the amendment. The amendment was slightly different from previous antistriker amendments, and was viewed as imposing new duties on the Secretary of Agriculture, thus making it subject to the point of order. The point of order was sustained, and thus the amendment was not actually considered or voted on.

The appropriation bill subsequently passed 391 to 16.

The Senate Appropriations Committee recommended $5.63 billion for the Food Stamp Program, with an additional $46.8 million in a combined fund with other food assistance programs for administrative costs. The Senate approved the bill on June 29 by voice vote.

The conferees approved the Senate version with regard to food stamp issues by approving the new account for program administration requested by the Carter administration. The appropriation bill became Public Law 95-97.

Fiscal year 1978 funding marked the first year since 1973 when a supplemental funding request was not needed to fund the Food Stamp Program fully through the end of the fiscal year.

### *Food stamps as a part of comprehensive welfare reform*

The Carter administration's recommendations for comprehensive welfare reform were considered on a separate, and later legislative track in 1977. President Carter announced his program on August 6, 1977. As part of the announcement of this Program for Better Jobs and Income, President Carter described the impact on the

Food Stamp Program as reducing "complexity by consolidating the current AFDC, Supplemental Security Income [SSI], and Food Stamp Programs, all of which have differing eligibility requirements, into a single cash assistance program, providing for the first time a uniform minimum Federal payment for the poor."

Both Houses began hearings on the welfare reform proposals, but no final action was taken in 1977.

*SSI extension*

In separate legislation, H.R. 1404, Congress approved amendments dealing with several Federal welfare programs. Included in the bill, which became Public Law 95-59, was a provision to extend until October 1, 1978, the automatic ineligibility of SSI recipients in the cash-out States and the eligibility of SSI recipients in other States. The provision was made permanent through the later adoption of the Food Stamp Act of 1977 (Public Law 95-113).

*Legislation introduced—1977*

Much of the legislation introduced involved comprehensive changes to the Food Stamp Program. Senator Edward Brooke (R-Massachusetts) introduced S. 178 on January 11, 1977, to eliminate the purchase requirement for food stamp participation. Senator Herman E. Talmadge (D-Georgia) along with six cosponsors, introduced his comprehensive agricultural legislation, S. 275, which included a food stamp title, on January 18, 1977, along with six cosponsors.

Senator Robert Dole (R-Kansas) introduced his comprehensive food stamp reform bill, S. 845, on March 1, with two cosponsors.

Representative Frederick Richmond (D-New York) introduced his bill, H.R. 4844, on March 10. He reintroduced it with a total of 30 cosponsors as H.R. 5895 on March 21, H.R. 6539 on April 21, and H.R. 7351 on May 23.

Senator Frank Church (D-Idaho) introduced his reform bill, S. 1272, with one cosponsor on April 7. Senator Hubert H. Humphrey (D-Minnesota), introduced his bill S. 903, on March 4.

Senator Henry Bellmon (R-Oklahoma) and three cosponsors introduced legislation, S. 1094, on March 23, to permit States to consolidate and reorganize Federal food assistance programs, including the Food Stamp Program.

Representative Thomas N. Kindness (R-Ohio) introduced H.R. 4442, to provide a 5-year federally funded system, essentially a block grant, to provide nutrition assistance in lieu of the Food Stamp Program, on March 3. He reintroduced the bill as H.R. 6818 on May 2 with eight cosponsors.

On May 16, Representative Dawson Mathis (D-Georgia) proposed H.R. 7214 to reauthorize the program for 2 years and transfer responsibility for its operation to the Secretary of Health, Education, and Welfare.

Representative Robert S. Walker (R-Pennsylvania) introduced H.R. 1359 on January 4 to permit the purchase of foods approved by the Secretary of Agriculture as being nutritious and which are labeled accordingly.

Representative James M. Jeffords (R-Vermont) proposed H.R. 5334 on March 22 to permit States to "cash out" food stamp benefits to elderly and disabled recipients.

Bills were introduced to tighten food stamp eligibility and reduce possibilities for fraud and abuse:

H.R. 81, Representative Chalmers P. Wylie (R-Ohio), January 4;

H.R. 615, Representative Ray Roberts (D-Texas), January 4;

H.R. 621, Representative J. Kenneth Robinson (R-Virginia), January 4;

H.R. 787, Representative James T. Broyhill (R-North Carolina), January 4;

H.R. 969, Representative Carlos Moorhead (R-California), January 4;

H.R. 5887, Representative Jack Kemp (R-New York), March 31;

H.R. 6052, Representative Robin Beard (R-Tennessee), April 5;

H.R. 6332, Representative Robert H. Michel (R-Illinois) with 24 cosponsors, April 19;

H.R. 6333, Representative Robert H. Michel (R-Illinois) with seven cosponsors, April 19;

H.R. 6499, Representative Robert H. Michel (R-Illinois) with 13 cosponsors, April 21;

H.R. 6731, Representative Robert H. Michel (R-Illinois) with 14 cosponsors, April 21;

S. 1295, Senator John Tower (R-Texas) with nine cosponsors, April 19; and

H.R. 7570, Representative Robert H. Michel (R-Illinois) with four cosponsors, June 2.

Bills also focused on eliminating eligibility for college students:

H.R. 387, Representative Marjorie S. Holt (R-Maryland), January 4;

H.R. 496, Representative Marilyn Lloyd (D-Tennessee), January 4;

H.R. 2570, Representative Thad Cochran (R-Mississippi), January 27;

H.R. 2602, Representative Jerry M. Patterson (D-California), January 27; and

H.R. 5491, Representative William M. Ketchum (R-California) and three cosponsors, March 23.

Bills were also introduced specifically aimed at eliminating strikers from eligibility for food stamp benefits:

H.R. 622, Representative J. Kenneth Robinson (R-Virginia), January 4;

H.R. 3147, Representative William L. Dickinson (R-Alabama) with 24 cosponsors, February 7;

H.R. 3148, Representative William L. Dickinson (R-Alabama) with eight cosponsors, February 7;

S. 567, Senator Strom Thurmond (R-South Carolina) with 12 cosponsors, February 1;

H.R. 3740, Representative Edward J. Derwinski (R-Illinois), February 22;

H.R. 4926, Representative John Paul Hammerschmidt (R-Arkansas), March 14;

H.R. 5281, Representative William L. Dickinson (R-Alabama), March 21; and

H.R. 7544, Representative David E. Satterfield III (D-Virginia), June 1.

Attempts to implement comprehensive welfare reform continued in 1977 with H.R. 317, by Representative Robert J. Cornell (D-Wisconsin), on January 4, 1977.

Efforts continued to maintain the eligibility of SSI recipients to receive food stamps:

H.R. 1068, Representative John M. Murphy (D-New York), January 4;

H.R. 7859, Representative Thomas Foley (D-Washington), June 17;

Bills were introduced to prevent Social Security cost-of-living increases from being counted as income for food stamp purposes:

H.R. 4091, Representative Charles W. Whalen, Jr. (R-Ohio) with 19 cosponsors, February 24;

H.R. 4092, Representative Charles W. Whalen, Jr. (R-Ohio) with 18 cosponsors, February 24;

H.R. 4093, Representative Charles W. Whalen, Jr. (R-Ohio) with 4 cosponsors, February 24;

H.R. 4697, Representative Charles W. Whalen, Jr. (R-Ohio) with 20 cosponsors, March 8;

H.R. 4905, Representative John J. Duncan (R-Tennessee), March 14;

H.R. 7061, Representative Charles W. Whalen, Jr. (R-Ohio) with three cosponsors, May 10; and

H.R. 8598, Representative Douglas Applegate (D-Ohio), July 28, 1977.

Other bills included:

H.R. 3891, Representative Don Fuqua (D-Florida), February 23;

S. 1119, Senator Milton Young (R-North Dakota), March 24; and

H.R. 5644, Representative Richard Nolan (R-Minnesota), March 28.

## 1978

The primary action affecting the Food Stamp Program in 1978 came through the appropriations action on the fiscal year 1979 Agriculture appropriations bill, H.R. 13125.

The House Appropriations Committee recommended an appropriation of $5.8 billion for the Food Stamp Program in the bill reported June 13. The House narrowly rejected 194–201 an amendment by Representative Steven D. Symms (R-Idaho) to reduce the appropriation by $290 million when the bill was considered on June 22. Representative Symms said the program was "filled with difficulties, problems, fraud, and abuse". Representative John H. Rousselot (R-California), in supporting the amendment, noted that a General Accounting Office report had found that "the Federal

Government is losing over half a billion dollars annually in the Food Stamp Program because of overissued benefits."

However, opponents of the Symms amendment, led by Agriculture Committee Chairman Thomas S. Foley (D-Washington), argued that reforms enacted in 1977, when implemented, would address some of the concerns of those supporting the amendment. He also said that high food prices were contributing to the increased cost of the program, and said that participation was declining. "We are consistently lowering the number of people who are receiving food stamps in a very dramatic way from a couple of years ago," Representative Foley said.

The appropriation bill passed 326 to 59.

Similar attempts to reduce the appropriation were made in the Senate on August 10. Senator Richard Lugar (R-Indiana) proposed to reduce the appropriation by $250 million. Similar arguments were used in favor of, and in opposition to, the amendment as were used in House debate. The amendment failed 38 to 57.

Senator Carl T. Curtis (R-Nebraska) then proposed to cut $2 billion from the appropriation. His amendment failed 16 to 80.

The $5.8 billion appropriation was included in the conference report and became a part of Public Law 95-448.

### *Workfare report extension*

Legislation was also adopted in 1978 to postpone the date by which the workfare project report must be submitted to Congress. Administration bills, S. 3271 and H.R. 13149, had been introduced for this purpose. Public Law 95-400 delayed until October 1, 1980, the deadline for submitting the final report on the workfare pilot projects.

### *Legislation affecting California's SSI Program*

In other SSI activity, the Congress enacted an amendment to permit California, one of two cashout States, to remain eligible for the SSI cashout even though the State would not meet one of the conditions which had earlier (in Public Law 94-379) been placed on it. Under that legislation, it had to pass through to SSI recipients any cost-of-living increases provided in the Federal SSI benefits and provide a cost-of-living increase in the State supplementary SSI payment.

California intended to suspend cost-of-living increases for some recipients, effective September 1, 1978, thereby failing to meet the second condition on maintaining its cashout status.

Under the new provision, the Federal Government would, for up to 1 year, make an additional monthly cash payment of $10—the minimum food stamp allotment to which most SSI households would be entitled—to affected SSI recipients. This additional payment check would be included in or with the individual's SSI check.

The SSI provision was proposed by Senator Alan Cranston (D-California) during consideration of H.R. 1337 on August 25. The amendment was included in the final version of the bill which became Public Law 95-458.

### *Legislation introduced—1978*

An alternative to the Carter administration's welfare reform proposal was introduced by Representative Al Ullman (D-Oregon), chairman of the House Ways and Means Committee. The bill, H.R. 10711, introduced February 5, included food stamps.

Representative Tom Kindness (R-Ohio) introduced H.R. 11022 with one cosponsor on February 21 to prohibit food stamps for strikers. The bill was reintroduced with a total of 43 cosponsors as H.R. 11252 on March 2, H.R. 11602 on March 16, and H.R. 12702 on May 12.

Representative C.W. Bill Young (R-Florida) introduced H.R. 12926 on June 1, 1978, to permit individuals who participate in psychiatric residential treatment programs to be eligible to receive food stamps.

Representative James C. Corman (D-California) introduced H.R. 13814 on August 9, 1978, to permit California to continue its cashout of food stamp benefits for SSI recipients.

Senator Alan Cranston (D-California) introduced S. 3424, to permit California to continue the cashout of food stamps for SSI recipients on August 16, 1978.

Representative Charles Wilson (D-Texas) introduced H.R. 14307 on October 12 to provide special, increased food stamp benefits for recipients with medical dietary needs.

Bills, proposed by the administration, had been introduced to delay until October 1, 1980, the report on the workfare pilot projects. H.R. 13149 was introduced on June 15, 1978, by Representative Frederick Richmond (D-New York) and S. 3271 was introduced by Senator Herman E. Talmadge (D-Georgia) on July 10, 1978.

## 1979

### *Fiscal year 1979 supplemental appropriations*

The Congress considered a supplemental appropriation for the Food Stamp Program for fiscal year 1979 as part of H.R. 4289. The House Appropriations Committee recommended $379.7 million for the Food Stamp Program, and this level was adopted by the House on June 6, 1979.

However, the Senate Appropriations Committee recommended $988.8 million, $50 million less than a revised estimate submitted by the Carter administration.

Two amendments proposed in the Senate to reduce the appropriation amount were defeated during consideration on June 25 and 26. Senator Jesse Helms (R-North Carolina) proposed an amendment on June 25 to reduce the appropriation by $328 million, to the level estimated by the Congressional Budget Office to be sufficient to finish the fiscal year without reducing benefits. The amendment failed 22 to 66. Senator S.I. Hayakawa (R-California) proposed an amendment on June 26 to cut $188 million from the appropriation; the amendment failed 28 to 62.

In conference, the final figure approved for food stamp funding was a compromise at $900 million, which became part of Public Law 96-38.

### *Authorizing legislation: The Food Stamp Act Amendments of 1979*

In addition to the increase in appropriations, the Congress acted to increase the authorization for the Food Stamp Program for the remainder of fiscal year 1979. The increase was the major provision of H.R. 4057 which was signed into law, Public Law 96-58, on August 14.

President Carter had requested that the authorization ceiling [cap] be eliminated for fiscal years 1979 and 1980. However, the congressional action centered around how high to raise the cap without eliminating it altogether. The House Agriculture Committee attempted to deal with the fiscal year 1979 authorization ceiling separately from other food stamp issues. The bill it reported, H.R. 4057, raised the ceiling by $620 million through September 30, 1979, for a total fiscal year 1979 authorization level of $6.78 billion.

A separate bill, H.R. 4303, was reported to provide more liberal medical and shelter deductions for the elderly and disabled, a variation of a provision sponsored by Representative Richard Kelly (R-Florida). Under this bill, the ceiling on the deduction for excess shelter/dependent care expense was eliminated for households with elderly or disabled members. A separate, new deduction was also added to provide a deduction for medical expenses over $35 per month for these same households. This bill was considered on June 26 by the full House. The bill passed overwhelmingly under suspension of the rules (thereby precluding amendments), 405 to 8, despite the opposition of the Carter administration. Concerns, especially about the elderly and disabled, surfaced in response to losses of benefits experienced by certain households with the implementation of the 1977 act even as program participation increased.

During consideration of H.R. 4057 on July 11, two amendments were adopted. Representative Steven D. Symms (R-Idaho) proposed an amendment to require that when appropriated funds were insufficient to provide full benefits to all recipients, reductions should be proportionately smaller for the very poorest recipients. (Existing law, adopted in 1977, was interpreted by the administration as requiring all benefits to be reduced equally.) Representative Symms noted that the approach taken by his amendment had been adopted by the Senate Agriculture Committee. Representative Richard Kelly (R-Florida) proposed an amendment allowing persons age 60 or over to deduct from their income medical expenses exceeding $10 a month, when computing food stamp eligiblity and benefits. Both amendments were adopted by voice vote.

Representative Robert S. Walker (R-Pennsylvania), proposed an amendment to prohibit use of food stamps to buy foods of minimal nutritional value. His amendment was rejected by voice vote.

Representative John M. Ashbrook (R-Ohio), proposed an amendment to reduce the increase in the spending ceiling to $280 million. His amendment was rejected 98 to 314.

The bill then passed 335 to 81.

Meanwhile in the Senate, the Committee on Agriculture, Nutrition, and Forestry reported S. 1309 on July 6. The bill also raised the authorization ceiling to $6.78 billion. As reported by the committee, the bill also established new deductions for elderly and disabled recipients for the amount of medical expenses over $35 per month and an unlimited amount of shelter expenses over 50 percent of their income. Current law provided that all households were subject to a maximum amount for a combination of excess shelter and dependent care expenses.

The Senate committee bill also contained the so-called Lugar amendment, so named because of the chief sponsor, Senator Richard G. Lugar (R-Indiana). The amendment required the Secretary of Agriculture to report to Congress on the 15th of each month concerning projections for annual food stamp spending. If funds were projected to be insufficient to fund the program through the fiscal year, the Secretary was to implement benefit reductions. However, these reductions were to provide proportionately smaller reductions for the poorest recipients.

Senator Jesse Helms (R-North Carolina) indicated his intention to propose four amendments to the bill to fight fraud and abuse, the first three of which had been proposed by the Carter administration in S. 1310.

The proposed amendments would permit States to:

Keep one-half the value of recoveries obtained from persons who fraudulently received benefits;

Give recipients who are found to have fraudulently obtained benefits the choice of repaying in cash or taking reduced future benefits (sometimes called benefit offset); and

Get recipients' Social Security numbers to check on information about their income.

The fourth amendment would permit greater flexibility in verifying income, including the use of home visits by eligibility workers.

When the bill was considered on July 23, Senator George S. McGovern (D-South Dakota) proposed a substitute for the committee-reported bill. The substitute encompassed the committee's provisions and the four Helms amendments (with the last one modified), while eliminating the authorization ceiling altogether for fiscal years 1980 and 1981.

The McGovern substitute also included a provision by Senators Robert Stafford (R-Vermont) and Robert Dole (R-Kansas) to permit blind and disabled residents of State-approved group living arrangements to participate in the Food Stamp Program as individual households. As a general rule, individuals in institutions are not permitted to participate in the program.

Senator Helms proposed an amendment to the McGovern substitute to maintain the authorization ceilings for fiscal years 1980 and 1981, indicating that a spending ceiling or cap was absolutely essential to prudent program management.

Senator S.I. Hayakawa (R-California) said:

> I am compelled to ask: Why should we eliminate the cap—why should we cast aside this important congressional control? The only response I have been given is that it prevents Congress from being troubled with the funding level of this program . . .
>
> It is really a depreciation of our function to say that we should not be troubled with the funding level of this program. That is what we are here for, to be troubled with the funding levels of this and every program.

Proponents argued that removing the cap would not make the program an entitlement, and would not violate the budget process. It would merely, they said, permit the appropriations committees to make the determination on spending—without the need to raise the authorized level.

The amendment was defeated 37 to 57.

Senator Strom Thurmond (R-South Carolina) proposed an amendment to prohibit food stamps going to strikers. However, Senator McGovern successfully amended the Thurmond amendment essentially to restate the current law. The McGovern modification passed by voice vote.

The McGovern substitute was then adopted 72 to 20.

In an unusual parliamentary maneuver, the Senate than passed both S. 1309 and the House-passed bill, H.R. 4057. The House bill had been amended to include the text of S. 1309, thus resulting in two bills having passed with the same content.

In conference on H.R. 4057, the House agreed to the 1-year increase in the authorization ceiling and the Senate's provisions (with Lugar, Helms, and Stafford-Dole amendments) except for the elimination of the authorization ceiling. The conference report was approved in the Senate by voice vote on July 27, and in the House on August 2, by 336 to 72.

As approved, the new law (Public Law 96–58):

Established a medical expense deduction for households containing an elderly or disabled member, for expenses above $35 per month, to take effect January 1, 1980.

Established an unlimited excess shelter expense deduction for households containing an elderly or disabled member.

Under existing law, all households were eligible for a maximum deduction for excess shelter costs and dependent care costs that could not exceed, in combination, $90 per month. The provision, established in 1977 at $75 per month provided for annual indexation which had grown to the $90 figures. The new provision allowed households with elderly or disabled members to have unlimited excess shelter deduction, although the ceiling (then $90 per month) would still apply with regard to dependent care expenses.

Authorized the Secretary of Agriculture and State agencies to require submission of Social Security numbers as a condition of Food Stamp Program eligibility. This information could be used only for purposes of determining or verifying household's eligibility to receive food stamp assistance.

Required that individuals disqualified because of fraud who wished to reenter the program after the period of disqualification must agree to repay, through either a cash payment or a reduction in the household's allotment, the value of the food stamps fraudulently obtained.

Allowed each State to retain 50 percent of the funds it recovers or collects through prosecutions or other State activities directed against individuals who fraudulently obtained their food stamp benefits.

Made disabled residents of small State-certified group living arrangements eligible for participation in the Food Stamp Program under conditions equivalent to those applicable to other approved institutionalized residents such as narcotic addicts and alcoholics participating in treatment programs.

### *Fiscal year 1980 appropriations*

Later in the year, the fiscal year 1980 appropriation level was debated as part of the agriculture appropriations bill, H.R. 4387. The House Appropriations Committee recommended an appropriation of $6.19 billion for the Food Stamp Program, a reduction of $738 million from the Carter administration's $6.93 billion request. The House approved the $6.19 billion amount on June 19. The Senate Appropriations Committee recommended, and the Senate passed on July 18, the same figure, which became part of Public Law 96-108.

### *Budget resolution*

The debate over the budget resolution also brought amendments dealing with the Food Stamp Program. Senator Richard G. Lugar (R-Indiana) proposed an amendment to the budget resolution, Senate Concurrent Resolution 22, to reduce planned food stamp spending by $1 billion to stay within the $6.2 billion authorized amount. The amendment was defeated 30 to 61 on April 25, 1979.

### *Welfare reform*

During discussion of welfare reform on November 7, one amendment relating to food stamps was proposed. The House was considering H.R. 4904 which called for the establishment of national minimum benefit levels for all welfare recipients, and required all States to permit two-parent families to receive aid if the principal wage earner was unemployed. The bill included a national minimum level of assistance, which encompassed food stamp benefits.

The only amendment allowed to be offered on the House floor permitted States to provide cash, in lieu of food stamps, to households containing only individuals over age 65 and who were not eligible for supplemental security income payments. The amendment, proposed by Representative James M. Jeffords (R-Vermont) was adopted 406 to 2. The bill, subsequently passed 222 to 184, but comprehensive welfare reform, including the Jeffords amendment, was not enacted during 1979.

### *Legislation introduced—1979*

Reform legislation in the 96th Congress was similar to that introduced in the past. Efforts continued to eliminate eligibility for strikers to participate in the Food Stamp Program:

H.R. 369, Representative Tennyson Guyer (R-Ohio), January 15;

H.R. 415, Representative George Hansen (R-Idaho), January 15;

H.R. 661, Representative J. Kenneth Robinson (R-Virginia), January 15;

S. 84, Senator Strom Thurmond (R-South Carolina), January 18;

H.R. 1218, Representative Larry P. McDonald (D-Georgia), January 22;

H.R. 1267, Representative C.W. Bill Young (R-Florida), January 22;

H.R. 1374, Representative John Paul Hammerschmidt (R-Arkansas), January 24; and

H.R. 1657, Representative William L. Dickinson (R-Alabama), January 31.

Bills were also introduced to eliminate the eligibility of most college students:

H.R. 461 Representative Marjorie S. Holt (R-Maryland), January 15;

S. 1808, Senator Paul Laxalt (R-Nevada), September 24; and

H.R. 6028, Representative Steven D. Symms (R-Idaho), December 4.

Representative John F. Seiberling (D-Ohio) introducted H.R. 4356 on June 6 to exclude certain education loans, grants, scholarships, fellowships, and veterans' education benefits received by AFDC recipients from being counted as income for food stamp purposes.

Bills were introducted to disregard, or exclude, cost-of-living increases in Social Security benefits when determining benefits in other Federal programs, including the Food Stamp Program:

H.R. 486, Representative Elizabeth Holtzman (D-New York), January 15;

H.R. 742, Representative John Seiberling (D-Ohio), January 15;

H.R. 1136, Representative Edward R. Roybal (D-California), January 18;

H.R. 1725, Representative Charles Rangel (D-New York), January 31;

H.R. 2876, Representative Marilyn Lloyd Bouquard (D-Tennessee), March 14; and

H.R. 4017, Representative Jack Edwards (R-Alabama), May 9.

Representative Robert S. Walker (R-Pennsylvania), January 15 introduced H.R. 781 on January 15 to limit foods purchasable by food stamps to foods of only high nutritional value. The bill specified a formula fot determining such nutritional value.

Representative C.W. Bill Young (R-Florida) introduced H.R. 168 on January 22 to ensure that individuals who participate in psychiatric residential treatment programs would be eligible to receive food stamps.

Representative Fernand J. St Germain (D-Rhode Island) introduced H.R. 1460 on January 24 to provide for the acceptance by pharmacies of food stamps in exchange for food supplements prescribed for consumption by cancer patients.

Bills were introduced to establish penalties for fraud under several Federal programs, including the Food Stamp Program:

H.R. 1992, Representative Ron Marlenee (R-Montana), February 8; and

H.R. 4824, Representative Kent Hance (D-Texas), July 17.

Bills were introduced to remove (or in some cases, increase) the limit on excess shelter expense deduction for households composed entirely of persons who are age 65 or older (or in some cases, 62 or older), or who receive SSI. Some of these included a separate deduction for medical expenses:

H.R. 2126, Representative Peter Peyser (D-New York), February 13;

H.R. 2228, Representative Fernand J. St Germain (D-Rhode Island), February 15;

H.R. 2663, Representative Edward J. Stack (D-Florida), March 6;

H.R. 2773, Representative C.W. Bill Young (R-Florida), March 8;

S. 632, Senator Daniel Patrick Moynihan (D-New York), March 13;

H.R. 3050, Representative Earl Hutto (D-Florida), March 19;

H.R. 3545, Representative Bill Chappell, Jr. (D-Florida), April 9;

S. 928, Senator Richard Stone (D-Florida), April 9;

H.R. 3827, Representative Henry B. Gonzalez (D-Texas), May 1;

S. 1060, Senator Lawton Chiles (D-Florida), May 2;

H.R. 4120, Representative Peter Peyser (D-New York), May 16;

S. 1202, Senator H. John Heinz III (R-Pennsylvania), May 22;

H.R. 4232, Representative Ronald M. Mottl (D-Ohio), May 24;

S. 1346, Senator Richard Stone (D-Florida) June 14; and

H.R. 5057, Representative Frederick Richmond (D-New York), August 1.

Senator John A. Durkin (D-New Hampshire) proposed S. 807 on March 27 to eliminate the excess shelter deduction ceiling altogether.

Senator John H. Chafee (R-Rhode Island), introduced S. 872 on April 4 to increase the excess shelter deduction and postpone semiannual indexing from July 1, 1978, to January 1, 1980.

Bills were introduced to eliminate the authorization ceilings on the Food Stamp Program:

S. 1, Senator Robert Dole (R-Kansas), January 15; and

H.R. 2412, Representative Frederick Richmond (D-New York), February 26.

Other comprehensive bills included:

H.R. 4028, Representative E. Thomas Coleman (R-Missouri), May 9;

H.R. 4318, Representative Thomas S. Foley (D-Washington), June 5;

S. 1309, Senator Herman Talmadge (D-Georgia) and two cosponsors, June 11;

S. 1310, Senator Herman Talmadge (D-Georgia), June 11; and

H.R. 5907, Representative Frederick Richmond (D-New York), November 15.

Representative James M. Jeffords (R-Vermont) introduced two bills to provide for recoupment of food stamp benefits from recipients who had annual incomes considerably above the poverty line—H.R. 4039 on May 10 and H.R. 4429 on June 12.

Representative Stephen J. Solarz (D-New York) introduced H.R. 4186 on May 22 to provide for authority for certain food stamp recipients to use food stamps in restaurants.

Several bills were introduced to establish a Fuel Stamp Program to be administered by the Secretary of Agriculture, for participants in the Food Stamp Program.

H.R. 5039, Representative Martin Olav Sabo (D-Minnesota), July 31;

H.R. 1603, Senator Charles McC. Mathias, Jr. (R-Maryland), July 31;

H.R. 5237, Representative Peter A. Peyser (D-New York), September 11; and

H.R. 5265, Representative Frederick Richmond (D-New York), September 13.

Two bills were introduced to permit a block grant for the Food Stamp Program:

S. 605, Senator Henry Bellmon (R-Oklahoma), and Senator Pete Domenici (R-New Mexico), March 8; and

H.R. 5816, Representative Thomas N. Kindness (R-Ohio), November 7.

Senator Richard G. Lugar (R-Indiana) introduced S. 982 on April 23 to authorize the Secretary of Agriculture to make fair and equitable reductions in food stamp benefits when insufficient funding is available.

Much activity relating to the Food Stamp Program took place in 1980 in both the House and the Senate. Three bills were enacted to provide additional funding authority and appropriations for the program for the remainder of fiscal year 1980 (ending September 30, 1980).

## 1980

### *Authorizing legislation: The Food Stamp Act Amendments of 1980*

The first legislation considered in 1980 was to increase the authorization ceiling (cap) for fiscal years 1980 and 1981. The Senate had passed a bill, S. 1309, in 1979 providing for the removal of the authorization ceilings for fiscal years 1980 and 1981 at the same time it had passed a House bill, H.R. 4057, increasing the fiscal year 1979 authorization ceiling.

The House Agriculture Committee reported its version of S. 1309 on February 27, 1980. The primary purpose of the reported bill was to increase the authorization ceilings, although other provisions were included as well. Some of these additional provisions were designed to reduce the cost of the program while others encouraged further expansion of the program.

For instance, the committee adopted an error rate sanction system to take effect in fiscal year 1981. The Secretary of Agriculture would be responsible for setting preformance standards for each State. A State would have to meet these standards every 6 months or have its otherwise payable Federal matching funds for the State's administrative costs reduced by $1 for each dollar value equivalent of its error rate above the standards prescribed by the Secretary. As an incentive to reduce errors, the bill provided that States could get increased Federal funding of these administrative costs (above the normal 50 percent matching) if their error rates were improving. States were to be eligible for 55 percent Federal funding if errors were reduced by one-fourth. Matching at 60 percent would be available for States whose error rates were between 5 and 8 percent, and 65 percent where the error rate was below 5 percent. For purposes of this initial error rate system, both overissuances and underissuance errors were included.

At the same time, the bill excluded Government energy assistance payments from being considered as income for determining income eligibility and benefit levels and proposed to establish a new deduction for employment-related day care expenses at $160 per month and expand the medical deduction which had been enacted in 1979. The 1979 provision permitted households with an elderly or disabled member to deduct medical expenses in excess of $35 per month effective in 1980; the 1980 House committee bill proposed to lower this threshold to $10 per month.

The committee also adopted an amendment by Representative Dan Glickman (D-Kansas) to provide "flexible caps" or "cushions" for authorizations in fiscal years 1980 and 1981. Under the Glickman amendment the authorization ceilings were set at $8.7 billion in 1980 and $9.7 billion in 1981, but appropriations would be allowed to exceed the limits by 5 percent in 1980 and 10 percent in 1981 if costs exceeded those statutory amounts.

The full House considered the bill on May 8, 1980. Numerous amendments were offered, most of which were intended to curb the costs of the program and most of which were defeated.

Representative Berkley Bedell (D-Iowa) proposed an amendment, adopted by voice vote, to prohibit specific time requirements for conducting outreach activities. Explained Representative Bedell:

> In a recent visit to my district, I found that food stamp personnel were being required to spend several hours per month in outreach efforts to try to get more people to come and take food stamps at the same time that our Food Stamp Program is running out of money and threatens to be completely eliminated.

An amendment by Representative Steven D. Symms (R-Idaho) to restore the purchase requirement, which had been eliminated by the 1977 legislation, was defeated 112 to 189.

Representative Leon E. Panetta (D-California) proposed an amendment to revise the indexing of thrifty food plan allotments and the standard deduction used in the program to provide annual rather than semiannual indexing. Representative Panetta, a member of both the Agriculture and Budget Committees, explained the need to reduce program spending to comply with budget parameters being set by the House Budget Committee. Representative Panetta stated:

> Annualizing the cost-of-living increase in the thrifty food plan and the standard deduction as of January of each year does not reduce any household's benefits. It merely delays projected increases in benefits for a 6-month period.

The amendment also proposed to delay until October 1, 1981, the committee's proposals to lower the medical deduction threshold to $10 and to provide a new $160 deduction for dependent care expenses. Representative Panetta said the estimate of program savings from his amendment was $133 million in fiscal year 1980 and $303 million in fiscal year 1981.

Representative Philip M. Crane (R-Illinois) proposed to modify the Panetta amendment by eliminating the committee's liberalized deductions altogether. The Crane amendment was rejected on a 12 to 21 division vote, and the Panetta amendment was subsequently adopted by voice vote.

Representative James C. Corman (D-California) proposed an amendment to clarify provisions and protections associated with wage information to be supplied for purposes of wage matching established under the committee bill. The Corman amendment specified that the wage information provided could be used only for purposes associated with administration of the Food Stamp Program. The amendment was adopted by voice vote.

Representative E. Thomas Coleman (R-Missouri) proposed an amendment to reduce food stamp benefits to families whose children were eligible for free lunches through the School Lunch Program. Representative Coleman said:

> Food stamp benefits are calculated on the assumption that each family member will receive three meals per day, but for 53 percent of the families who receive food stamps that is not necessarily the case, because 6.3 million youngsters who receive food stamp benefits, also receive a free school lunch at the local school.
>
> My amendment simply takes away the duplication and the overlap between these two food assistance programs. It eliminates this overlap by eliminating the food stamp allotment for that particular meal.

Representative Frederick Richmond (D-New York), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition responded:

> There is no duplication of Child Nutrition and Food Stamp Programs. These two programs have coexisted for 15 years. The School Lunch Program simply complements the Food Stamp Program in helping poor children achieve a minimally adequate diet. Congress has long recognized the importance of providing special assistance for extremely vulnerable groups in our society—children and the elderly.

Concerns were also expressed about the administrative difficulty of implementing the provision, including how to take account of school meals not eaten due to absences. The amendment was defeated 134 to 269.

Representative Thomas S. Foley (D-Washington), chairman of the Agriculture Committee, proposed an amendment designed to save $130 million in fiscal year 1981. The amendment, like the earlier Panetta amendment, was intended to contribute to reductions in spending being required through the budget resolution. The Foley amendment proposed to lower the assets limit for households from $1,750 to $1,500. The amendment also proposed that annual increases in income eligibility ceilings be based on the official poverty line of the Office of Management and Budget rather than the March update, an unofficial, but more recent estimate of the poverty line. Third, the amendment further reduced participation by students by eliminating all students except those working 20 hours a week or who were already exempt from work registration requirements of the program. The amendment was adopted by voice vote.

Representative Paul Findley (R-Illinois) proposed an amendment to allow 10 days, rather than 30 days, for job search activities in at least one workfare project area. The provision was intended to assist San Diego County which wanted to test the shorter job search period before recipients were required to participate in the Workfare Program. The amendment was adopted by voice vote.

The House adopted by voice vote an amendment by Representative Leo C. Zeferetti (D-New York) to permit all medical expenses, not just those above $10 as in the committee bill, to be deducted by households with an elderly or disabled member.

Representative Eldon Rudd (R-Arizona) offered an amendment to limit eligibility for food stamps to families with gross incomes below the federally defined poverty line, with a 15-percent deduction for earned income. Representative Rudd argued that:

> One of the most obvious abuses of the current Food Stamp Program is that families with incomes substantially above the poverty line are often eligible for food stamps.
>
> . . . The Department of Agriculture's latest published figures indicate that 13 percent of all food stamp households had gross income above the poverty line.
>
> With such liberal eligibility guidelines, it is no wonder that 21.7 million people are on the rolls, with another 10 million eligible.

The Rudd amendment was defeated 106 to 297.

Representative Millicent Fenwick (R-New Jersey) offered a variation on the earlier Symms purchase requirement amendment by providing for the restoration of the purchase requirement except for households containing an elderly or disabled member. Representative Fenwick, who indicated she had supported the elimination of the purchase requirement, stated:

> We all know what happened when we lifted the cash requirement, the purchase requirement on food stamps. . . . The number has gone up from 15 million to over 21 million clients. The number may go much further. I believe that we must reinstitute the purchase requirement for those who can afford that and are able-bodied. The very poor would remain exempt as they are now.

Representative Leon E. Panetta (D-California) argued against the Fenwick amendment:

> I am concerned about what would be the discrimination of deciding that perhaps the elderly poor do not have to meet the purchase requirements, but the other poor do.
>
> . . . The division of families among the elderly, the handicapped, and the blind and all others brings an incredible administrative burden to the program itself.

The Fenwick amendment failed, 154 to 248.

Representative Norman D. Shumway (R-California) proposed an amendment to revise the outreach provisions of the Food Stamp Program by prohibiting outreach activities, which were then required by the statute. Representative Shumway noted:

> It is increasingly obvious to me that the outreach aspect of the Food Stamp Program is no longer necessary. We all know now that participation is at an all-time high. I believe very strongly that Americans know what this program is. They know what is available to them and what their needs indicate, and they know how to have access to the program.

Representative Thomas S. Foley (D-Washington) proposed to modify the Shumway amendment by changing the existing requirement for outreach to a State option. Chairman Foley noted:

> What my amendment does is simply say that the requirement in the present State plans that States must conduct outreach activities is stricken, leaving it up to every State to decide whether information should be given to potential or real food stamp recipients.

The Foley modification was adopted by voice vote, and then the Shumway amendment, as modified by Foley, was adopted by voice vote.

Representative John Rousselot (R-California) proposed to lower the age of a dependent child who exempts his or her parent or caretaker from the work registration requirement from under age 12 to under age 6. Representative Rousselot argued that the amendment would establish similar treatment to that provided in the AFDC Program. The amendment was adopted by a division vote of 22 to 9.

The most controversial amendment which was adopted was offered by Representative James M. Jeffords (R-Vermont). His amendment provided for "recoupment," or repayment, of food stamp benefits received by recipients who had been eligible for benefits during several months of the year, but whose annual income was considerably higher than food stamp eligibility levels. It would affect families who received food stamps for part of the year—due to temporary unemployment, for example—but who had adjusted annual incomes that exceeded 175 percent of the poverty level. Under the amendment, they would have to repay the value of their stamps at the end of the year as part of their income tax.

Representative Jeffords said:

> We can retarget the money to the people who really need it. This amendment will do much to restore public confidence, for the people we will recoup from are those people who are in the stores with their food stamps, and other people realize they are relatively high-income people and want to know why they are on food stamps.
>
> . . . We do not affect those people who are on food stamps year-round. All we do is to treat in a different way those people who, for temporary reasons, got on the Food Stamp Program and at the end of the year are in pretty good shape. We say to them, "Fine, we are glad you got the food stamps, but we want to treat your benefits as an interest-free loan and have you pay it back."

Representative Al Ullman (D-Oregon), chairman of the House Ways and Means Committee, voiced his opposition to the amendment.

> There seems to be no reason to single out the Food Stamp Program for recoupment. We, the Congress, should consider in an orderly fashion whether this policy should be applied to food stamps or other programs as well. Recoupment for food stamps alone is not cost effective.
>
> . . . This is a major amendment and will require, if implemented, substantial administrative organization . . .
>
> While the concept of an annual accounting period and treating food stamps that go to people with low monthly incomes that have relatively high annual incomes as a loan is a concept with some merit, the details have not been worked out.

The Jeffords amendment was adopted 241 to 147.

Representative Steven D. Symms (R-Idaho) proposed an amendment to eliminate the Glickman cushion provision of the committee-reported bill. The cushion provision authorized 5 and 10 percent increases in appropriations above the authorized ceilings. Representative Symms described the committee's provision:

> What that cushion does is authorizes the Department of Agriculture to be able to come before Congress if they have a cost overrun. In other words, for fiscal year 1981 we have authorized $10.7 billion with the 10-percent overrun "cushion" built in, so the Department can come down here and get an extra billion dollars—from $9.7 billion to the full $10.7 billion—without going back to the proper authorizing committee.

Representative Dawson Mathis (D-Georgia) proposed an amendment to the Symms amendment to strike the cushion provision, as provided in the Symms amendment, but also to increase the fiscal year 1980 authorizing ceiling from $8.7 billion to $9.2 billion. The fiscal year 1981 amount would remain at $9.7 billion, as proposed by the committee, but without the additional cushion.

The Mathis amendment to the Symms amendment was adopted by voice vote, and then the Symms amendment, as amended by Mathis, was approved by voice vote.

Representative Robert S. Walker (R-Pennsylvania) proposed an amendment to establish a program of block grants to all States in lieu of the Food Stamp Program:

> . . . One of the problems we have identified . . . is that we have found that the State governments do not have the degree of responsibility or flexibility necessary to run efficient, effective programs.
>
> . . . State administrators have been deprived of an essential element in efficient program administration; namely, control over their own programs. Funding for the current program is 100 percent Federal.
>
> . . . Forced to comply with strict Federal standards, States have lost the requisite degree of responsibility they need and have even been penalized for not complying with those standards whether they were applicable to their particular situation or not.

The amendment proposed to save about $500 million annually, through a reduction in administrative costs associated with the existing Federal system. Representative Thomas S. Foley (D-Washington), the committee chairman, objected to the Walker amendment:

> The amendment. . . contains a completely new scheme for assisting the States in the nutrition program which is presently carried on by food stamps.
>
> To my knowledge, there is not a single Governor, Republican or Democrat in the United States or the Commonwealth of Puerto Rico or any other territories who has endorsed this plan. There has not been a single hearing before any committee of Congress or a single witness that I know of who has discussed this plan.

The amendment was defeated 111 to 268.

Representative Peter A. Peyser (D-New York) proposed an amendment to authorize States to fund the program for the month of June, in case Federal funds ran out, with the assurance that Congress would repay the funds advanced by the States. The amendment was adopted by voice vote.

The House then passed the bill 320 to 56.

The conferees reported the conference report on May 14, agreeing in large measure with the approach taken in the House-passed bill. While the Senate-passed version proposed to eliminate authorization ceilings, the conference report retained them—at the higher level of $9.5 billion for fiscal year 1980 and at the House-passed level of $9.7 billion for 1981.

The conferees agreed to the cost-saving provisions in the House bill, by providing for annual, rather then semiannual, indexing of the thrifty food plan and the standard deduction, tightening the quality control system to provide for a sanction for high errors and incentive funding for reduced errors, lowering the assets ceiling for eligible households to $1,500 from $1,750 (except for households of two or more persons, one of whom is age 60 or over, in which case the $3,000 limit would still apply), further reducing student eligibility, and deleting the March update of poverty guidelines for purposes of establishing annual income ceilings for participation.

The conferees deleted the Jeffords recoupment provision, the outreach limitation (making outreach a State option), and the Rousselot provision to lower the age of a dependent child which wou exempt a parent or caretaker from work registration. They compromised on the deduction provisions in the House by lowering the ceiling on the new (not yet implemented) deduction for child care expenses from $160 to $90 per month. This new deduction ceiling was to be effective October 1, 1981, along with the new medical deduction for elderly and disabled recipients. The lower threshold for medical deductions was a compromise establishment at expenses over $25 rather than all medical expenses as provided in the House-passed bill. The new provision also would permit spouses of elderly or disabled members to deduct their medical expenses regardless of their age or physical condition.

Among other provisions, the bill—

Excluded from counting as household income for food stamp purposes any payments or allowances made under any Federal, State, or local laws for the purpose of providing energy assistance.

Gave States the option to determine program eligibility and benefits by using income received in the previous month (retrospective accounting), following standards prescribed by the Secretary.

Provided that States electing to use a retrospective accounting system must require certain categories of households (determined by the Secretary) to file periodic (normally monthly) reports of household circumstances.

Required that income (less a pro rata share) and resources of an ineligible (legal) alien be attributed to the remaining household members in determining that household's eligibility and benefits. Also required certification personnel to report immediately to the Immigration and Naturalization Service any determination that a household member is ineligible to receive food stamps because he or she is present in the United States in violation of the Immigration and Nationality Act.

Increased to 75 percent (from 50 percent) the Federal share of costs incurred by State agencies, after October 1, 1980, in planning, designing, developing, and installing computerized systems for handling Food Stamp Program data.

Expanded State agencies' authority for verification by permitting States to verify, prior to certification, whether questionable or not, any household's size as well as any factor of eligibility related to households that fall within "error-prone household profiles," profiles that are developed in State quality control systems and approved by the Secretary for statewide use.

Required the disclosure of certain income tax information in the files of the Social Security Administration and certain wage and unemployment insurance information in the records of State unemployment insurance agencies to the Department of Agriculture and State food stamp agencies for the purpose of determining a person's eligibility for food stamps. The information could only be disclosed in accordance with the procedures, conditions and safeguards specified in section 6103 of the Internal Revenue Code.

Required the Congressional Budget Office to review the Consumer Price Index and alternative indexes to determine whether the CPI was the most accurate indexing base for the Food Stamp Program or whether an alternative index would provide a more appropriate index. The bill also changed all references to the Consumer Price Index to refer to the CPI for all urban consumers, rather than an older index for urban wage earners and clerical workers.

Permitted each State to decide to proceed against alleged fraud in the program either by way of administrative fraud hearings or by way of reference to appropriate legal authorities for civil or criminal legal action, or both.

Exempted from valuation as a household asset, for purpose of the assets requirements, any vehicle used to transport a disabled household member, regardless of the purpose of such transportation.

Provided that States must require all eligible households, with the exception of those certified by home visits or certain other households, to present photo identification cards together with their authorization cards as a condition to receiving their allotments in project areas or parts thereof where the Secretary (after consultation with the Inspector General) finds that it would be useful to protect the program's integrity.

Allowed households in which all members are SSI recipients to apply to participate in the Food Stamp Program by filling out a simple application form, either the national food stamp application form or a simple State application form of comparable length and complexity, rather than the simplified affidavit required by existing law.

Required the Inspector General to schedule a financial audit review of a sample of project areas in any State in which, in any quarter of a fiscal year, the average food stamp participation exceeds 60 percent of the total State population, and report his findings and recommendations to the Congress within two fiscal-year quarters thereafter. The provision was aimed at Puerto Rico which continued to have high participation of over 50 percent of the population.

Permitted the Secretary to require forfeiture of and to dispose of any form of valuable property illegally obtained in exchange for food stamp coupons or authorization cards.

Provided that States could continue their workfare pilot projects for a year, to September 30, 1981, when a final report would become due, with interim reports due before then. The bill included the Findley provision to permit at least one project area to provide 10 days, rather than 30 days, of job search prior to assignment to a workfare site.

Denied Federal funds to anyone directly or indirectly interfering with or impeding the implementation of any provision of the food stamp law or its regulations. The provision was especially directed at efforts by groups attempting to disrupt the workfare pilot projects.

Permitted women and children accompanying them who are temporarily residing in public or private nonprofit shelters for battered women and children to use their food stamps to purchase meals prepared and served by those shelters. It also permitted these persons to be considered for eligibility as individual units (parent and child), rather than being considered as part of a single household consisting of all shelter residents.

When the conference report was considered in the Senate on May 14, Senator Jesse Helms (R-North Carolina) moved to recommit the bill to conference, but the motion was defeated 29 to 61; the Senate then agreed to the conference report 65 to 25. The House agreed to the conference report the next day by a vote of 324 to 80. The bill became Public Law 96-249.

*Two fiscal year 1980 supplemental appropriation bills*

Meanwhile supplemental appropriations were also being considered in the Congress. For the first time in the history of the Food Stamp Program, two supplemental appropriation bills were considered for the same fiscal year.

The House Appropriations Committee reported House Joint Resolution 545 on May 8 which appropriated $2.6 billion for the Food Stamp Program for fiscal year 1980. Together with the $6.2 billion in the regular 1980 appropriation bill (Public Law 96-108), this would bring total food stamp spending to $8.8 billion for fiscal year 1980.

For the first time in the history of the Congressional Budget Act of 1974, the House agreed to waive the requirement of the law barring consideration of an appropriation that would cause total Government spending to exceed the spending ceilings set in the second budget resolution for the fiscal year. The House adopted the rule providing a waiver 310 to 95. The House passed the food stamp supplemental appropriation bill on May 13 by 354 to 56.

The Senate Appropriations Committee version of the bill provided a $3 billion appropriation. As in the House, a waiver of the Budget Act was needed to consider the bill. The Senate agreed to the waiver by a 71 to 17 vote on May 14, shortly after the conference report on S. 1309 had been adopted. However, Senator Henry Bellmon (R-Oklahoma), ranking Republican member of the Budget Committee, urged that the amount appropriated be all that would be forthcoming for the fiscal year. He proposed an amendment restating the Lugar amendment adopted in the authorizing legislation of 1979 requiring that benefits be reduced if it became evident that the appropriation would be insufficient to fund the program for the full fiscal year. Senator Bellmon said the amendment "would make clear to the Secretary of Agriculture that he must administer the Food Stamp Program in a manner which holds costs to levels within the sums appropriated."

Senator Thomas F. Eagleton (D-Missouri) moved to table the Bellmon amendment, but the tabling motion failed 26 to 61. The Bellmon amendment was then adopted by voice vote.

Other amendments were offered by Senator James A. McClure (R-Idaho) to reduce the cost of the program. The Senate first rejected 35 to 52 an amendment to reduce the appropriation by $200 million which could be achieved, according to Senator McClure, by eliminating fraud, waste, and abuse in the program. The Senate then rejected 30 to 58 a McClure amendment to reduce food stamp benefits to families whose children were eligible for federally subsidized free lunches. (During Agriculture Committee deliberations of the Committee on Agriculture, Nutrition, and Forestry earlier in the year, the committee had adopted on March 5 by a vote of 9 to 6 as part of its budget recommendations to the Budget Committee a recommendation that the overlap between food stamps and free school lunches be eliminated. The committee, however, later reversed itself on March 7 by 8 to 9.) However, the Senate adopted the third McClure amendment, 46 to 42, to require that educational loans and grants and housing subsidies be considered as income in determining food stamp eligibility and benefit levels. The appropriations bill then passed 70 to 18.

The conferees met on May 15 and agreed to the House amount of $2.6 billion, and adopted a variation of the Bellmon language indicating that an additional $446 million would be the final appropriation for the program and that benefit reductions should be predicated on a total appropriation of $9.2 billion (including the forthcoming $446 million). The McClure amendment was dropped, in favor of a USDA study of the concept.

The conference report was considered on the same day, passing the House by 316 to 36 and the Senate by 57 to 17. The bill became Public Law 96–243.

The supplemental appropriation bill for fiscal year 1980, H.R. 7542, included $203.2 million for the Food Stamp Program as well as a transfer of $243 million from Child Nutrition Programs, for a total additional appropriation of $446.2 million. This amount was included in H.R. 7542 which was reported from the House Appropriations Committee on June 11 and passed the House on June 19. During consideration in the Senate, the Senate approved on voice vote an amendment by Senator Thomas F. Eagleton (D-Missouri) to add $216 million more in appropriations and $27 million more in transfers from Child Nutrition Programs to the House-passed amount. However, the conferees agreed to the House-passed amounts which became part of Public Law 96–304, signed on July 8 by President Carter.

*Fiscal year 1981 appropriations*

In appropriation action on the agriculture appropriations bill for fiscal year 1981, H.R. 7591, the House Appropriations Committee recommended $9.7 billion, $164 million less than recommended by the administration. This amount was approved by the full House on July 30.

The Senate did not consider the legislation until late November, after the 1980 elections. Temporary funding for the Department of Agriculture and other Federal agencies had been included in a continuing resolution, House Joint Resolution 610 (Public Law 96–369) passed on October 1. The Senate Appropriations Committee approved the same level for full year food stamp funding as that adopted by the House.

The bill was considered by the Senate on November 25, just prior to the Thanksgiving recess.

Senator Robert Dole (R-Kansas) proposed an amendment to increase the food stamp funding to $11 billion for fiscal year 1981. Senator Jesse Helms (R-North Carolina) proposed an amendment to the Dole provision to reduce the amount to $10.5 billion and to include language stating that the amount provided would be the total appropriation for the full fiscal year.

Both amendments would increase appropriations above the authorization ceiling for fiscal year 1981 approved earlier in the year in S. 1309.

Senator Helms argued that his amendment was consistent with the budget resolution which had been adopted for fiscal year 1981. The amendment provided $800 million more than the House bill.

Senator Eagleton, chairman of the Agriculture Appropriations Subcommittee, opposed the amendment. In an agreement worked out by Senators Dole and Helms, Senator Dole withdrew his amendment, which also had the effect of withdrawing the Helms amendment and of leaving the $9.7 billion appropriation unchanged.

The bill was subsequently passed 58 to 11. The food stamp appropriation was the same in both House and Senate versions of the bill, $9.7 billion, and, therefore, was the amount included in the final bill which became Public Law 96-528.

*Report by appropriations investigative staff*

Also in 1980, the investigations staff of the Senate Committee on Appropriations released a report on the Food Stamp Program. The report, entitled "Need for an Overall Strategy to Combat Fraud, Worker Errors, and Regulation Loopholes in the Department of Agriculture's Food Stamp Program," was issued in November 1980.

The report concluded:

> Our view of the Food Stamp Program indicates there is general agreement that it is making a significant contribution to the nutritional well-being of needy Americans.
>
> However, we believe that the program as currently administered by the States in accordance with Federal regulations is particularly vulnerable to fraud and abuse. An unknown amount of benefits issued in the Food Stamp Program is wasted because of fraud by recipients, errors by program workers, and loopholes in food stamp regulations. Some of the persons we interviewed estimated that it could be as high as 20 percent annually or about $1.8 billion of the program's $912 billion total cost in fiscal year 1980.

Among problems identified by the investigations staff were inadequate verification of applicant eligibility, a lack of fraud prosecutions, overissuances in the program both as a result of recipient fraud and worker errors, and loopholes in Federal regulations which allowed many recipients to get more benefits than the Congress intended and permitted others, who Congress never intended to participate, to receive food stamps.

The report identified several specific areas for reform:

> In addition to funds lost through fraud and errors, we believe that substantial sums are lost because of loopholes in the regulations which permit the following practices: (1) providing a full month's allotment of stamps, even if application is made on the last day of the month for which stamps are provided; (2) ignoring the income and resources of illegal aliens in computing a household's eligibility and benefits; (3) routinely and repeatedly replacing stamps which are reported stolen after being received by the recipient; and (4) failing to prorate utility allowances where more than one household shares a dwelling.

*Proposed limitation on the Legal Services Corporation*

In other action relating to the Food Stamp Program in 1980, on June 12 Senator Jesse Helms (R-North Carolina) offered an amendment during consideration of a bill reauthorizing the Legal Services Corporation, S. 2337, to prohibit legal aid lawyers from handling food stamps cases. Senator Helms said:

> Eligibility determinations were never intended to become legal proceedings. They were never intended to be adversary in nature. Yet this is just what is happening through constant confrontations between the Legal Services attorneys and . . . beleaguered local officials. . .

Senator Gaylord Nelson (D-Wisconsin) offered a motion to table the Helms amendment. The tabling motion was agreed to 63 to 23.

### *Legislation introduced—1980*

Senator Herman E. Talmadge (D-Georgia), chairman of the Senate Agriculture Committee, introduced S. 2282 on February 7, 1980 to specify that individuals would forfeit anything of value that was illegally exchanged for food stamp coupons.

Two bills were introduced to eliminate the overlap between the Food Stamp and School Lunch Programs:

S. 2360, Senator Jesse Helms (R-North Carolina), February 28, 1980; and

H.R. 6821, Representative E. Thomas Coleman (R-Missouri), March 17, 1980.

Senator S.I. Hayakawa (R-California) introduced S. 2376 on March 4, 1980, to provide annual, rather than semiannual inflation adjustments, and to eliminate participation by college students. Representative William M. Thomas (R-California) and eight cosponsors, introduced H.R. 6819 on March 13, to require annual rather than semiannual inflation adjustments in the Food Stamp Program. Another bill which included a provision to eliminate college students from participation, H.R. 7445, was introduced by Representative Steven D. Symms (R-Idaho) on May 22, 1980.

Representative Paul Findley (R-Illinois) introduced H.R. 6794 on March 12, 1980, to require workfare for recipients of AFDC, food stamps, and public housing assistance in exchange for these benefits.

Representative Tim Lee Carter (R-Kentucky) introduced H.R. 7231 on May 1, 1980, to provide for an increase in the authorization level of the Food Stamp Program.

Representative Glenn English (D-Oklahoma) introduced H.R. 7460 on May 29, 1980, to transfer jurisdiction of Food Stamp Program operation to the Secretary of Health and Human Services.

Representative Robert S. Walker (R-Pennsylvania) proposed H.R. 8021 on August 25, 1980, to establish a block grant in lieu of the Food Stamp Program.

Bills were introduced, but not acted upon, to make technical corrections in certain provisions of Public Law 96-249 (the food stamp authorization) and Public Law 96-265 (an act unrelated to food stamps):

S. 3154, Senator Herman Talmadge (D-Georgia), September 24, 1980; and

S. 3159, Senator Herman Talmadge (D-Georgia), September 25, 1980.

## 1981

### *1981 overview of legislative activity*

During 1981 there were an unprecedented number of bills acted on by the Congress dealing with the Food Stamp Program—three bills dealing with authorization ceilings and reauthorization, one supplemental appropriation bill for fiscal year 1981, and the fiscal year 1982 appropriation bill.

The administration of newly elected President Ronald Reagan proposed major changes in the Food Stamp Program in 1981. These changes would have resulted in significant cost savings. The administration also proposed to address the immediate shortage in fiscal year 1981 funding by requesting a supplemental appropriation. Both the authorization (Public Law 97-18) for the increase in spending of $1.7 billion, and the supplemental appropriation (Public Law 97-12) for this increase were adopted in June 1981. This increased total spending for the program for fiscal year 1981 from $9.7 to $11.48 billion.

In the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), Congress adopted some of the administration's budget recommendations and substituted its own recommendation for one of the major reforms proposed by the administration.

Just before the Christmas recess, the Congress approved both additional legislative changes regarding the Food Stamp Program which were incorporated in the farm bill (Public Law 97-98) and the appropriation bill (Public Law 97-103) for fiscal year 1982 which had begun October 1, 1981.

### *Authorizing legislation*

Action during 1981 proceeded along several tracks, virtually simultaneously.

Both Senate and House Agriculture Committees completed their committee markups of food stamp authorizing legislation on May 12 in the form of S. 1007 and H.R. 3109, respectively. Both bills established higher authorization ceilings for fiscal year 1981 and reauthorized the program for 4 additional years (fiscal years 1982-85) with specified authorization ceilings each year.

The Senate bill, S. 1007, was intended to save $6 billion over 3 years from what would otherwise be spent in the Food Stamp Program. As reported from the committee, S. 1007 would:

Limit food stamp eligibility to households with gross monthly incomes within 130 percent of the nonfarm income poverty guidelines prescribed by the Office of Management and Budget;

Delay the inflation adjustments for food stamp monthly allotment levels until April 1982, July 1983, and October of each year thereafter;

Freeze food stamp deduction levels at their 1981 amounts until July 1983 (with indexing to occur again in July 1983 and in October of each year thereafter);

Reduce the amount of household earnings that could be deducted from income in establishing benefits from 20 to 15 percent;

Require States, beginning in October 1983, to base eligibility and benefits on households' prior months' income (retrospective accounting);

Require food stamp recipients to regularly report on their household circumstances (such as income and household size) in order to receive benefits;

Repeal liberalizations of the limits on how much a household may deduct from its income for food stamp purposes if it has medical or dependent-care expenses;

Deny eligibility to households with members on strike unless eligible prior to the strike;

Extend household disqualification (if the primary wage earner has voluntarily quit a job without good cause) to include those already receiving food stamps, lengthen the period of disqualification for voluntarily quitting a job from 60 to 90 days, and require household members not otherwise exempt from work registration to register for work after the youngest child they are caring for reaches age 6 rather than age 12;

Allow States and localities to establish workfare programs under which food stamp work registrants could be required to perform public service work arranged by the State or locality in order to retain food stamp eligibility;

Prorate first-month benefits according to when the household applies;

Tighten rules governing expedited issuance of benefits to very poor applicants;

Require households to repay double the value of benefits received fraudulently or through misrepresentation, and require State agencies to collect other types of overpayments;

Extend the penalty of disqualification to include fraud, violation of Federal or State laws and regulations, and misrepresentation, and lengthen disqualification periods to 6 months for the first offense, 1 year for the second offense, and permanent disqualification for the third offense; and

Make administrative improvements to tighten program operations by improving verification techniques, tightening eligibility for boarders and family units, making drug addicts and alcoholics residing in treatment programs ineligible, restricting benefits to aliens, eliminating Federal funding for outreach, removing the requirement for cash change in food stamp transactions, and lifting the prohibition on counting food stamp benefits in other programs;

Authorize appropriations of $11.48 billion for fiscal year 1981, $10.87 billion for fiscal year 1982, $11.29 billion for fiscal year 1983, $11.325 billion for fiscal year 1984, and $11.84 billion for fiscal year 1985;

Ease existing rules allowing certain States, primarily California, to cash out food stamp benefits for SSI recipients by paying higher SSI cash benefits;

Lower food stamp income eligibility limits in Puerto Rico to 55 percent of those used for the continental United States from October 1, 1981, through March 31, 1982, and, beginning in April 1982, convert the Puerto Rico Food Stamp Program into an $825 million per year block grant for food assistance; and

Extend authority to operate commodity distribution programs through fiscal year 1985 and stipulate penalties for misusing federally donated commodities.

The committee rejected the administration's major cost-saving proposal, to reduce food stamp benefits to account for the receipt of free school lunches by school children in the household. Also, rather than eliminating indexing of deductions altogether, the committee bill postponed further indexing of deductions until July 1983.

The Senate considered S. 1007 on June 9 and 10, 1981, and passed the bill as reported by the committee with two modifications. The Senate rejected amendments both to reduce program costs further and to eliminate savings provisions contained in the reported bill.

The modifications that were accepted were proposed by Senator David L. Boren (D-Oklahoma). The first amendment proposed to permit the Secretary of Agriculture to carry out pilot projects for simplifying the processing of food stamp applications for some AFDC and SSI recipients. This amendment was adopted by voice vote. The second amendment proposed to exempt households containing elderly or disabled members from the gross income test which the bill established at 130 percent of the poverty line. (A similar amendment had been defeated 5 to 11 in the committee.) The amendment was adopted by voice vote.

Senator Steven D. Symms (R-Idaho) proposed to reinstate the purchase requirement, which had been eliminated by the 1977 amendments. Under the Symms amendment, the purchase requirement would not be reinstated, however, for households containing elderly or disabled members and households with the least income, under $30 per month. These households would continue to receive free food stamps.

During debate on June 9, attention focused on the amendment to restore the purchase requirement. Senator Symms said:

> As a Member of the other body at the time, I fought the idea of what we called then free food stamps. We thought that the free food stamps would end up costing the taxpayers billions and billions of dollars * * *.
>
> Now, at the time, and in the debate in the other body, there was a great furor about it. Some of the predictions that I made, saying that this program will cost $5 or $6 billion within 2 years, were called erroneous.
>
> Well, Mr. President, I was wrong all right, because I was wrong on the conservative side. It did not cost $6 billion. It is up to $11 or $12 billion that the program is costing.

Senator Jesse Helms (R-North Carolina) added:

> While the purchase requirement did present some opportunities for abuse, its elimination has simply increased such opportunities. We have exchanged the possibility of abuse among several thousand eligibility workers and banks handling purchase requirement money for the possibility of abuse among 23-million recipients many of whom see the benefits as involving no investment of their own and are more willing to traffick in food stamps—using them to buy major nonfood items.

Senator Robert Dole (R-Kansas) defended the elimination of the purchase requirement:

> The contention that the elimination of the purchase requirement has undermined the nutritional purposes of the program is factually wrong. In fact, it appears that eliminating the purchase requirement has strengthened the nutritional impact of the program because it has enabled several million low-income persons who were always eligible and in need of food stamps—but never before able to participate—to enter the program and increase their food consumption.

Senator Patrick Leahy (D-Vermont) also opposed the amendment:

> At a time when we are doing our best to cut down the cost of State and local government, at a time when we are doing our best to get the Federal Government off the backs of State and local governments, at a time when we are trying to cut down bureaucracy and redtape, and so forth, this amendment, in one significant area, would put the Federal Government back on the backs of the State and local governments, increase bureaucracy, increase the administrative costs, increase areas of abuse, increase possible thefts.

The Symms amendment was defeated 33 to 66 on June 10. (A similar amendment had been defeated in the committee 7 to 10.)

Senator James A. McClure (R-Idaho) proposed to count energy assistance payments as income in determining food stamp benefits.

Senator McClure said:

> I believe an accurate definition of income is essential to the credibility of the Food Stamp Program. The exemption of energy assistance benefits allows higher and higher income households to qualify for food stamps * * *

The McClure amendment was defeated 25 to 74. (A similar amendment had been defeated in committee 6 to 10.)

Senator Jesse Helms (R-North Carolina), chairman of the committee, proposed to eliminate indexing of deductions used in eligibility and benefit calculations, as had been recommended by the administration. The amendment was defeated 30 to 69.

Senator John Melcher (D-Montana) proposed an amendment to allow residents of drug and alcohol rehabilitation centers to continue to receive food stamps if the centers were private, nonprofit and got less than 20 percent of their budgets from the Federal Government. (Drug and alcohol rehabilitation centers were eligible under current law, but the committee bill proposed to remove them altogether.) The amendment failed 24 to 74.

Senator Daniel Patrick Moynihan (D-New York) proposed to delay from April 1, 1982, to October 1, 1982, the effective date for establishing the Nutritional Block Grant Program in Puerto Rico.

Proponents of the amendment argued that the committee bill singled out Puerto Rico for unfair treatment.

Senator David L. Boren (D-Oklahoma) defended the committee action:

> Some of the greatest understatements in the history of American politics have been made here this afternoon, that there has been some abuse of the Food Stamp Program in Puerto Rico. Some? There has not been some waste, there has not been some abuse. What we are dealing with here is an absolute national disgrace.

The amendment was defeated 36 to 56. Senator Moynihan withdrew an earlier amendment to eliminate altogether the block grant for Puerto Rico.

The Senate rejected an amendment by Senators Patrick Leahy (D-Vermont) and Robert Dole (R-Kansas) to provide a flexible cap, or authorization ceiling, for the program. Under the Leahy-Dole formula, the authorization ceiling would be adjusted $150 million for each percentage point that food price inflation was above or below the projections of the Office of Management and Budget and $650 million for each percentage point variation in the unemployment rate.

Senator Leahy said:

> The amendment offered by Senator Dole and myself does not eliminate the cap. It does not increase the caps contained in S. 1007. All that it does is to provide for the caps to be adjusted up or down on the basis of the food price inflation and unemployment.

The amendment was defeated 41 to 53.

The Senate rejected, 30 to 64, another amendment by Senator John Melcher (D-Montana) to delete a provision lowering to 6 years, from 12 in the current law, the age of a child that would exempt a parent or guardian from the program's work registration requirements.

The bill was then passed 77 to 17.

The House Committee on Agriculture, like the Senate Agriculture Committee, included a prohibition on food stamps for strikers, by a vote of 21 to 19, in its bill, H.R. 3109. The committee rejected 20 to 23 an amendment by Representative Dan Glickman (D-Kansas) to adopt authorization levels with flexible ceilings which could increase in the event that inflation or unemployment, or both, exceeded the administration's projections. The full House never dealt with H.R. 3109, but instead the cost-saving proposals of that bill were folded into the reconciliation legislation, H.R. 3982, and the other provisions, including the reauthorization, were included in the farm bill legislation, H.R. 3603.

### *Fiscal year 1981 authorization ceiling raised*

Meanwhile, the House Committee on Agriculture reported H.R. 3991, a bill to increase the authorization ceiling for fiscal year 1981 from $9.7 billion to $11.5 billion. Additionally, the bill included a special provision to solve a problem with SSI recipients in California. Under Public Law 94–379, enacted in 1976, and later laws, SSI recipients in California were ineligible for food stamps as long as the State continued to provide them with cost-of-living increases in benefits. On July 1, 1981, however, California planned to raise SSI benefits less than the inflation rate, so after that date, the SSI recipients would be eligible for food stamps. In order to avoid the administrative expense associated with applications to participate in the Food Stamp Program, the bill contained an extension of the present exemption from food stamp participation by these SSI recipients until August 1, 1981, by which time it was assumed a permanent legislative solution could be achieved.

The House passed the bill on June 23.

During Senate consideration late on June 25 and early in the morning of June 26, Senator Jesse Helms (R-North Carolina) proposed an amendment to authorize additional appropriations sufficient to fund the program for 1 more month, through August, rather than for 2 months as in the House-passed bill in hopes of pressuring House action on the earlier-passed Senate bill, S. 1007. Senator Helms said:

> This amendment provides 1 month, rather than 2 months, of authorization in order to encourage the House to act expeditiously on the cost-savings provisions of S. 1007 which the Senate passed on June 10 * * *
>
> The Department of Agriculture has already indicated that fiscal year 1981 expenses are running high partially as a result of delays in enacting the legislative savings passed by the Senate.
>
> Each passing day that reforms are not enacted will continue to cost the American taxpayers precious millions of tax dollars.

Due to the parliamentary situation following the adoption of the budget reconciliation act that same day, the amendment was withdrawn early in the morning of June 26, and the House-passed bill was passed by voice vote and became Public Law 97–18.

### *Omnibus Budget Reconciliation Act of 1981*

Both the House and Senate Budget Committees in 1981 recommended, and both Houses passed, a budget resolution which required authorizing committees to submit cost-saving proposals as a part of an omnibus reconciliation bill, the Omnibus Budget Reconciliation Act of 1981. The agriculture committees of both the House and the Senate essentially took the cost-saving provisions from S. 1007 and H.R. 3109 to be included in their respective reconciliation bills. The reconciliation bill was passed on June 25 in the Senate (S. 1377).

In the House an amendment covering numerous provisions in all areas of the budget was offered by Representatives Phil Gramm (D-Texas) and Delbert Latta (R-Ohio). This amendment included additional food stamp savings. The Gramm-Latta omnibus substitute was passed 217 to 211 and on June 26 the House passed the reconciliation bill (H.R. 3982).

The inclusion of the Gramm-Latta provisions made the House and Senate food stamp versions more similar, but differences still existed. The House bill provided a later date for implementation of the block grant for Puerto Rico (October 1 rather than April 1, 1982) and did not include any change in the earned income deduction, which the Senate bill proposed to lower to 15 percent. The House bill did include an increase in the benefit reduction rate to 33 percent, from 30 percent in current law.

Because of the omnibus nature of the reconciliation bill, conferees met in subconferences. Members of the House and Senate Agriculture Committees were responsible for resolving differences in the food stamp provisions of the reconciliation bill since these provisions were under their jurisdiction. The primary differences in the food stamp provisions were the treatment of Puerto Rico, the benefit reduction rate, and the earned income deduction.

Unless changes were made, Puerto Rico was estimated to continue to have a more expensive Food Stamp Program than any State, a program costing about $1.1 billion. Both versions established a block grant for the program in Puerto Rico, with the authorization level to be set at 75 percent of the estimated current spending level, that is $825 million for fiscal year 1983. However, the Senate established an implementation date of April 1, 1982, for the new Block Grant Program, 6 months earlier than the House version, and provided that in the interim, the income eligibility standard in Puerto Rico be reduced to 55 percent of the poverty level. Conferees compromised by making the block grant effective July 1, 1982, but not lowering the eligibility standard in the interim period.

The conferees dropped a provision contained in the House bill substitute which would have raised the benefit reduction rate from 30 to 33 percent. The provision would have lowered benefits for most households.

The conferees compromised on a reduction in the earned income deduction. The Senate had lowered the deduction from 20 percent of earned income to 15 percent, but the final version established the deduction 18 percent.

The conferees dropped another Senate provision, proposed by the administration, to eliminate drug and alcohol abuse residential treatment programs from participation in the program.

The conferees did agree on the Senate provision exempting elderly and disabled recipients from the gross income test at 130 percent of poverty.

The anticipated result of the changes adopted in the reconciliation bill was to reduce food stamp spending by $6 billion over 3 years from the anticipated levels. Even with these reductions, actual food stamp spending was estimated to increase.

The conferees of the 58 subconferences completed action on July 29, and the bill was passed on July 31, by voice vote in the House and by 80 to 14 in the Senate.

The primary food stamp changes made by the Omnibus Budget Reconciliation Act of 1981 were the following:

The reform proposal with the single greatest budget-saving impact (about $500 million annually) was to require that the initial month's allotment for food stamps be prorated from the date of application. The previous practice had been to provide a household with a full month's allotment for the initial month of application, regardless of the day of the month on which the household applied. This reform concept first received widespread congressional attention with the publication of the November 1980 report by the investigations staff, Senate Committee on Appropriations, entitled "Need for an Overall Strategy to Combat Fraud, Workers Errors, and Regulation Loopholes in the Department of Agriculture's Food Stamp Program."

At the time of adoption, the change with the next largest anticipated dollar savings was the provision to delay and change the timing of annual adjustments in the cost of the thrifty food plan from January 1 to October 1 (the beginning of the Federal fiscal year) over a 3-year period. Under the proposal finally enacted the Congress, benefit increases scheduled for January 1982 would be postponed until April 1, 1982, and would reflect data for the 15-month period ending December 31, 1981. The adjustment made on July 1, 1983, would reflect data for the 15-month period ending March 31, 1983. The adjustment made on October 1, 1984, would reflect data for the 15-month period ending on June 30, 1984. Beginning with October 1, 1985, the annual adjustment would be made on October 1 of each year to reflect data for the 12-month period ending the preceding June 30.

The new reconciliation bill also eliminated the provision of the 1980 statute which would have required that annual indexing of allotments and deductions beginning January 1, 1982, include 3 months of estimated, or anticipatory, food-price data (October 1–December 31 under the 1980 statute).

The combined effect of these changes in the indexing of thrifty food plan allotments was estimated by the Congressional Budget Office in 1981 to reduce spending by $512 million in fiscal year 1982, declining to $440 million in fiscal year 1984.

In addition to delays in the indexing of thrifty food plan allotments, a similar delay was also established in the indexing of the standard deduction and the excess shelter/dependent care deduction, at that time $85 and $115, respectively. Under the reconciliation bill, these would not be indexed further until July 1983.

Additionally, when indexing of the excess shelter/dependent care deduction was to be resumed, on July 1, 1983, the version of the Consumer Price Index to be utilized by the Department of Agriculture would have to be adjusted by the Bureau of Labor Statistics specifically to remove homeownership cost components and reweighted accordingly. Because the overwhelming proportion of food stamp households rent rather than own housing, this revised

CPI was viewed as being more reflective of price changes that affect these households and of having the potential of producing costs savings to the extent that this revised CPI moves more slowly than the traditional Consumer Price Index.

The bill also repealed provisions scheduled to take effect on October 1, 1981, creating a separate deduction for dependent care expenses of up to $90 per month and lowering the threshold above which medical expenses would be deductible for households with elderly or disabled. The threshold was scheduled to be lowered from $35 to $25, thus permitting households to deduct medical expenses above $25 per month.

The 1981 reconciliation bill also established a gross income eligibility limit of 130 percent of the Federal poverty line for most households, except those with elderly or disabled.

The bill reduced the degree to which individuals living together could splinter into separate households (and receive larger benefits) by requiring nonelderly parents and their children who live together to apply as one food stamp household. Additionally, all boarders were made ineligible as separate households.

The reconciliation act (Public Law 97-35) also:

Prohibited any increase in food stamp benefits in the case of households where the increase was due to a reduction in income caused by an individual participating in a strike. The effect of the provision was to disqualify from food stamp participation any striker who was not already eligible for food stamps before the strike. No increase in food stamps could hereafter result from being on strike.

Established a block grant for the Commonwealth of Puerto Rico to provide food assistance, thus removing Puerto Rico from the regular Food Stamp Program.

Reduced the earned income deduction from 20 to 18 percent of earnings.

Required retrospective accounting and periodic reporting in the determination of eligibility and benefit determinations in all States by October 1, 1983.

Prohibited Federal funding of food stamp outreach activities.

Extended the penalty of disqualification to include misrepresentation as well as fraud, and lengthened the disqualification periods for recipients who violated the program. Recipients would be disqualified for 6 months for an initial violation, 12 months for a second violation, and permanently for a third violation.

Provided improved procedures for collection of overpayments, and permitted States to retain 25 percent of recoveries in nonfraud cases and 50 percent in fraud cases.

The reconciliation bill also included a provision to solve the problem which had arisen earlier in the year with respect to California's SSI Program. Rather than requiring California to provide a cost-of-living increase for SSI recipients, as had been required in the past in addition to the normal Federal cost of living, the new law provided that as long as any State that had been a cashout State in 1980 passed through Federal SSI benefit increases—that is, that the State did not reduce its own contribution—that State would continue to be deemed a cashout State. Therefore, SSI recipients in California would continue to be ineligible for food stamps, and would continue to receive a $10 monthly cash addition to their SSI benefits in lieu of food stamps.

### *Food stamp provisions in the farm bill*

Later in 1981 Congress made additional changes to the Food Stamp Program through title XIII of the Agriculture and Food Act of 1981, the 1981 farm bill, Public Law 97-98.

The Senate did not include food stamp legislation in its version of the farm bill, S. 884. Rather, a separate bill, S. 1007, had been reported, as described previously. The House farm bill was H.R. 3603. The House Agriculture Committee inserted in that legislation the nonbudget provisions from its earlier food stamp bill, H.R. 3109, which had not been considered during the reconciliation bill.

The House farm bill included a 4-year reauthorization of the Food Stamp Program with authorization ceilings of $10 billion for fiscal year 1982, $10.3 billion for fiscal years 1983 and 1984, and $10.5 billion for fiscal year 1985.

Before the bill was considered on the House floor, it became apparent that the authorization ceilings in the bill would be inadequate for fiscal year 1982, which was to begin on October 1, 1981.

Representative E. Thomas Coleman (R-Missouri) and Representative Frederick Richmond (D-New York), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, negotiated a higher ceiling with the administration in return for which the administration demanded further delays in cost-of-living adjustments for food stamp benefits.

A comprehensive compromise was reached and offered as an amendment during consideration of the farm bill in the House on October 21 and 22. The Coleman-Richmond amendment was adopted by voice vote on October 22. The authorization ceilings in the House-passed bill, with the adoption of the Coleman-Richmond amendment, were $11.3 billion for fiscal year 1982, $11.2 billion in 1983, $11.1 billion for fiscal year 1984, and $11.3 billion for fiscal year 1985.

Other provisions of the Coleman-Richmond amendment postponed the next scheduled increase in benefits from April 1982 to October 1982, increased the liability of food stamp issuing agents for wrongful issuances, and increased law enforcement authority for agents of the Office of Inspector General.

The new liability for issuing agents, called first endorser liability, provided that individuals or organizations issuing food stamps would be held financially liable for certain wrongful issuances.

The new law enforcement authority for the OIG included the authority to make arrests, issue warrants, and carry firearms. It was this aspect of the amendment that attracted debate and controversy when the amendment was considered. After initial objections from some Members of the House, Representative Coleman modified the amendment to specify that the new powers applied only to felony violations. Representative Ted Weiss (D-New York) proposed to amend the provision further to require joint designation of OIG agents capable of exercising these powers by the U.S. Attorney General in addition to the Inspector General of the Department of Agriculture. The Weiss amendment was adopted by voice vote.

Representative Marge Roukema (R-New Jersey) proposed an amendment, adopted by voice vote, to specify that energy assistance payments (excluded as income for food stamp purposes) must be specifically designated as energy assistance payments and must be provided on a seasonal basis (not to exceed 6 months in any year) in order to be excluded from income. Some States were beginning to consider increasing their AFDC payments, but calling the new increase an energy assistance payment, thereby excluding the increase from being counted as income in the Food Stamp Program (and maintaining the current level of food stamp benefits to recipients receiving the new payment). By requiring that the payment be seasonal, it was argued, true energy assistance payments could be distinguished from money simply diverted from monthly AFDC payments.

Other amendments, adopted by voice vote, included those by:

Representative Cooper Evans (R-Iowa), to expand the kinds of financial institutions which can redeem food stamps to include federally insured savings and loan associations. Previously, only banks could redeem food stamps.

Representative Glenn English (D-Oklahoma), to clarify criteria for Indians to operate the Food Stamp Program, specifically with regard to Indians in Oklahoma.

Representative James M. Jeffords (R-Vermont), to modify the household definition established in the budget reconciliation legislation by allowing parents and children who live together to qualify as separate households if one of the parents is disabled. The earlier definition provided that, as a general rule, parents and children living together must be included as one household unit. However, the provision allowed an exception permitting elderly parents to apply separately. The Jeffords amendment would permit both elderly or disabled parents to apply as a separate household unit.

Representative Glenn English (D-Oklahoma), to permit the Secretary of Agriculture to carry out pilot projects for testing simplified application procedures for AFDC, SSI, and Medicaid recipients applying for food stamp participation.

Representative William C. Wampler (R-Virginia), to provide explicit authority for the Comptroller General of the United States to have access to information in food stamp files, which is otherwise confidential, for auditing and examination purposes.

Representative Bill Dannemeyer (R-California) to include several of the antifraud provisions which had been in the Senate-passed bill, S. 1007.

The House rejected, 147 to 251, an amendment by Representative Robert S. Walker (R-Pennsylvania) to restore the purchase requirement except for households containing elderly or disabled members.

The House also rejected, by voice vote, an amendment by Representative Frederick Richmond (D-New York) to eliminate the requirement for a block grant for Puerto Rico (scheduled to be implemented by July 1, 1982) which had been adopted in the 1981 reconciliation bill.

The House passed the farm bill legislation, H.R. 3603, including the food stamp title, on October 22 by voice vote.

The conference on the farm bills was concluded just prior to the Christmas recess. The Senate adopted the conference report by a vote of 68 to 31 on December 10, and the House by a vote of 205 to 203 on December 16. With respect to food stamp provisions, the conferees decided on a 1 year reauthorization at the level in the House-passed bill, $11.3 billion. Although the Senate amounts were higher, the Senate bill (S. 1007) was not technically in conference since the Senate had passed its food stamp bill (S. 1007) separately from the farm bill (S. 884). Thus, in order to remain within the scope of the conference, conferees had to reach figures at or below the House-passed bill. House conferees feared that the figures in the House bill for future fiscal years (1983–85) were too low, and would result in appropriations that would be inadequate in view of estimated future program participation.

The farm bill's food stamp provisions eliminated any inflation adjustment in food stamp benefits during fiscal year 1982 by postponing the next scheduled adjustment to October 1, 1982. The time period for this indexing was to be the 21 months ending June 30, 1982. Future adjustments were to occur annually, each October 1, based on the 12 months ending the preceding June.

The budgetary impact of this provision was estimated to be a savings of $700 million in fiscal year 1982, during which no indexing of benefits would take place. However, it was expected that the provision would increase spending by $250 million in fiscal year 1983 and by $220 million in 1984.

Other provisions of the act, while not having a cost savings attributed by the Congressional Budget Office, were intended largely to tighten program administration.

The act established the authority for States and localities to require workfare for able-bodied food stamp recipients.

The act required that social security numbers be provided for all household members, as a condition of program eligibility. (While earlier legislation in 1979 had authorized the obtaining of social security numbers, the Carter administration had implemented the provision as a requirement only for adult members age 18 and over.)

The act required the State agencies administering the Food Stamp Program to seek income and other information on food stamp recipients available from State unemployment insurance agencies and the Social Security Administration, in order to encourage better verification through cross-matching of such information with that provided by recipients. (This provision was to become effective January 1, 1983.)

The farm bill provisions required that a portion of the income and resources of sponsors of aliens be considered available to those aliens in food stamp eligibility and benefit determinations for a period of 3 years after entry of the alien. The portion of the sponsor's income and resources that would be considered available to the alien would include any income above 130 percent of poverty and liquid resources exceeding $1,500, the assets standard.

The act removed the requirement that households that change their residence to a different political jurisdiction be granted an automatic 60-day continuation of eligibility without reapplication.

The act extended the disqualification for voluntarily quitting a job to include recipient households. The law had already provided a 60-day disqualification period for any applicant who had quit a job.

The new act (Public Law 97-98) also:

Changed the rules exempting parents (or other caretakers of dependent children) from work registration procedures by lowering the age of the dependent child from under age 12 to under age 6. However, if adequate child care is not available for children between ages 6 and 12, the caretaker would still be exempt from the work registration provisions of the law.

Made an exception to the general rule that parents and children living together automatically be deemed to be one household by permitting disabled, as well as elderly, parents to apply as a separate food stamp household.

Established separate thrifty food plan allotments for urban and rural areas of Alaska.

Excluded from the definition of income for food stamp purposes certain work related and child care expense reimbursements provided in the AFDC Program.

Continued to exclude from counting as income all Federal energy assistance payments. The act also excluded those State and local energy assistance payments that are specifically identified as energy assistance and that are provided on a seasonal basis (not to exceed 6 months during any year).

Clarified in law that households are not entitled to receive deductions from gross income for expenses that are paid on the household's behalf by a third party. This provision would maintain existing regulatory practice and codify it in law.

### *Fiscal year 1981 supplemental appropriations*

The House Appropriations Committee reported its supplemental appropriations bill for fiscal year 1981, H.R. 3400, on May 4. Due to Rules Committee objections to other provisions of the bill, a second supplemental appropriations bill, H.R. 3512, was reported on May 7. The bill included $1.2 billion in additional funding for the Food Stamp Program for fiscal year 1981 bringing the full year amount to $10.9 billion. The appropriations bill passed 329 to 70 on May 13.

The Senate Appropriations Committee recommended the same amount in additional funding, $1.2 billion. However, Senator James Abdnor (R-South Dakota) introduced an amendment on May 21 to increase that amount to $1.7 billion, $538 million more than originally requested by the administration. The higher figure was acknowledged by the administration to be necessary to continue the program through the remainder of the fiscal year without benefit reductions. (The Abdnor amendment also included $110 million for child nutrition programs.) Proponents argued that the extra funding should be provided to ensure that across-the-board benefit reductions did not occur by virtue of the implementation of the Lugar amendment. That provision requires the Secretary of Agriculture to reduce food stamp benefits when funding—that is, appropriations—are insufficient to fund the program's benefits fully through the fiscal year.

Senator Jesse Helms (R-North Carolina) moved to table the Abdnor amendment, but the motion was defeated 38 to 57. The Senate then agreed to the amendment, 50 to 45. The Senate version of the omnibus supplemental appropriations bill passed 95 to 0 on May 21.

Conferees agreed on the higher Senate figure, and the conference report including this amount was adopted by voice vote in both Houses on June 4, becoming Public Law 97-12. This brought full year funding for the program to $11.48 billion for fiscal year 1981.

### *Fiscal year 1982 appropriations*

The House Appropriations Committee reported its fiscal year 1982 agriculture appropriations bill, H.R. 4119, on July 9. For the first time since fiscal year 1976, the committee chose to provide funding ($9.76 billion) for the Food Stamp Program for only part of the fiscal year, through August 15, 1982. The partial year funding would make implementation of the Lugar amendment (section 18(b) of the Food Stamp Act of 1977) difficult because of a less than full year's appropriation. The partial year funding also made a supplemental appropriation for fiscal year 1982 likely. Representative Norman D. Shumway (R-California) protested the food stamp provision. He noted that "to invite the need for a supplemental appropriations is to continue that seemingly unbreakable cycle of worse inflation and higher unemployment" and "maintain the status quo."

The House passed the bill on July 27 by 343 to 33.

The Senate Appropriations Committee reported its version on October 22. The Senate Committee increased the funding to $10.1 billion, with a separate appropriation of $206.5 million for the Puerto Rico block grant for July-September 1982. The Senate Committee also maintained the partial year funding date of August 15.

The Senate adopted the bill 69 to 15 on October 30, after rejecting an amendment by Senator Mack Mattingly (R-Georgia) to reduce funds in the bill, including the Food Stamp Program, by 2.6 percent. Under the amendment the Secretary of Agriculture would be responsible for making decisions on which programs should be reduced, with no individual program to be cut by more than 6 percent. The amendment failed 32 to 51.

The conferees agreed on the partial year funding method and on the Senate figures which became part of Public Law 97-103.

### *Legislation introduced—1981*

As in previous years, bills were introduced to prohibit food stamps for households with household members on strike:

H.R. 249, Representative Tennyson Guyer (R-Ohio), January 5, 1981;

H.R. 270, Representative George Hansen (R-Idaho), January 5, 1981;

H.R. 975, Representative Larry P. McDonald (D-Georgia), January 20, 1981;

S. 293, Senator Strom Thurmond (R-South Carolina), January 27, 1981; and

H.R. 2032, Representative Thomas Hartnett (R-South Carolina), February 24, 1981.

Representative Tennyson Guyer (R-Ohio) introduced H.R. 250 on January 5 to permit pharmacies to accept food stamps in exchange for food supplements for cancer victims.

Proposals were reintroduced to require each State to establish a jobfare or workfare program as a condition of its eligibility for Federal assistance under various Federal assistance programs, including food stamps:

H.R. 268, Representative Donald Albosta (D-Michigan), January 8, 1981;

H.R. 269, Representative Paul Findley (R-Illinois) and 15 cosponsors, January 8, 1981; and

H.R. 971, Representative Tennyson Guyer (R-Ohio), January 20, 1981.

Representative George Hansen (R-Idaho) introduced H.R. 311 on January 5, 1981 to eliminate eligibility for college students.

Bills were introduced to provide that Social Security cost-of-living increases would not result in reductions in benefits, including food stamp benefits:

H.R. 593, Representative Edward Roybal (D-California), January 5, 1981; and

H.R. 1566, Representative Joseph P. Addabbo (D-New York), February 3, 1981.

Representative Robert S. Walker (R-Pennsylvania) reintroduced his bill to establish a block grant in lieu of the Food Stamp Program, H.R. 637, on January 5, 1981.

Several comprehensive bills were introduced, many of which provided for reforms intended to slow program growth:

S. 86, Senator William Proxmire (D-Wisconsin), January 15, 1981;

H.R. 1767, Representative Eldon Rudd (R-Arizona), February 5, 1981;

S. 884, Senator Jesse Helms (R-North Carolina), April 7, 1981;

S. 994, Senator Walter Huddleston (D-Kentucky) with two cosponsors, April 10, 1981;

S. 997, Senator Robert Dole (R-Kansas), April 10, 1981;

S. 1006, Senator Jesse Helms (R-North Carolina), April 27, 1981;

S. 1007, Senator Jesse Helms (R-North Carolina), April 27, 1981;

H.R. 1016, Senator Robert Dole (R-Kansas) with six cosponsors, April 27, 1981;

H.R. 3273, Representative E. Thomas Coleman (R-Missouri), April 28, 1981;

H.R. 3838, Rep. E. Kika de la Garza (D-Texas), June 8, 1981; and

H.R. 3990, Rep. E. Kika de la Garza (D-Texas) with 8 cosponsors, June 23, 1981.

Representative C. W. (Bill) Young (R-Florida) proposed on February 5, in H.R. 1780, to permit food stamps to be used by participants in psychiatric treatment programs.

Representative John Seiberling (D-Ohio) introduced H.R. 1925 on February 18 to modify the treatment of loans, grants, and scholarships that would be included as income for food stamp purposes.

Senator Strom Thurmond (R-South Carolina) proposed on February 19, 1981, in S. 495, to tighten the household definition by excluding boarders.

Bills were introduced to provide stiffer penalties for fraud:

H.R. 2151, Representative Ron Marlenee (R-Montana), February 25, 1981; and

S. 1113, Senator Paula Hawkins (R-Florida), May 5, 1981.

Representative James Jeffords (R-Vermont) and 22 cosponsors reintroduced a bill to provide for recoupment of food stamp benefits, H.R. 2368 on March 9, 1981.

Representative E. Thomas Coleman (R-Missouri) introduced H.R. 4530 on September 21 to authorize increased law enforcement authority, including the power to make arrests and carry firearms, for agents of the Inspector General of the Department of Agriculture.

## 1982

### *1982 overview*

Congress approved its third reconciliation bill in 1982 and for the second time in as many years, food stamp reforms intended to save tax dollars were included, although the savings were on a smaller scale than in 1981.

The changes were estimated to save $1.9 billion over 3 years. As in 1981, the reforms would not actually reduce Federal spending for the Food Stamp Program, but rather slow its rate of growth. A 3 year reauthorization of the program was included in the final reconciliation bill as well.

The Congress also passed a $1 billion supplemental appropriation for the Food Stamp Program for fiscal year 1982, as well as an $11.6 billion appropriation for the program for fiscal year 1983, the largest in the history of the program.

### *Fiscal year 1982 supplemental appropriations*

The first action taken by the Congress relating to food stamps was to include $1 billion in additional funding for the program for the remainder of fiscal year 1982. That amount was included in the supplemental appropriations bill considered during the spring and early summer of 1982. Passage of that amount brought total spending for the fiscal year to $11.3 billion. The original agriculture appropriation bill for fiscal year 1982 (Public Law 97-103) had provided funding only through August 15, 1982. Two supplemental appropriations bills, which included the food stamp appropriation, were vetoed by President Reagan over objections to other provisions of the measures before a bill finally became law (Public Law 97-216).

The final bill, H.R. 6685—and indeed the two earlier bills, H.R. 5922 and H.R. 6682—attracted no amendments relating to the Food Stamp Program when considered in either House.

### *Omnibus Budget Reconciliation Act of 1982*

The Reagan administration proposed major reforms in the Food Stamp Program that would have reduced actual expenditures, not just slowed the growth in the program as reforms adopted in 1981 were intended to do. The administration's proposals would have saved $2.3 billion in fiscal year 1983, bringing the 1983 cost of the program down to $9.6 billion from the 1982 level of $11.3 billion.

Most of the reductions would have taken the form of benefit reductions to recipients. The benefit reduction rate would have been increased from 30 to 35 percent, resulting in reductions in monthly benefits for most households.

Additionally, working households would have had benefits reduced by virtue of the administration's proposal to eliminate the earned income deduction, then established at 18 percent of earned income. This deduction had been lowered from 20 percent in the 1981 reconciliation bill.

The administration proposed to count as income all energy assistance payments. Additionally, the administration proposed to eliminate the $10 minimum benefit for one- and two-person households and, instead, to provide households with the amount of benefits which would result from the calculation. The administration also proposed to establish an error rate sanction system under which States would be required to reimburse the Federal Government for overissuance errors. Under the proposal, the tolerance level would be set at 3 percent in fiscal year 1983, declining to zero in fiscal year 1986.

The budget reconciliation parameters adopted by the Congress did not encompass the size of reductions in the administration's bill. The Committee on Agriculture, Nutrition, and Forestry considered several bills in addition to the administration's bill, S. 2392. These included a bill by Senator Jesse Helms (R-North Carolina), S. 2352, which would have achieved the recommended savings of the administration's budget proposals, although the Helms bill was stuctured to have less impact on recipients and more on administrative costs. Senator Robert Dole (R-Kansas) also introduced a bill, S. 2493, providing for Food Stamp Program savings, but less than in the administration and Helms bills. Also considered by the committee was a bill, S. 2480, sponsored by Senator S.I. Hayakawa (R-California).

The primary savings item adopted by the committee was a provision from the Dole bill to delay again the inflation indexing of the thrifty food plan. The provision called for the annual October benefit adjustment to continue. However, rather than reflecting food price inflation through the immediately preceding June, the October 1982 adjustment would be based on food price inflation through March 1982, the October 1983 adjustment would be based on inflation through April 1983, and the October 1984 adjustment would be based on inflation through May 1984. The October 1985 adjustment would then resume as being based on changes in food prices for the 12 months ending June 1985.

The committee also adopted a compromise proposal by Senators Helms and Dole to postpone the next inflation adjustment of the food stamp standard deduction and excess shelter/dependent care deduction and revise rounding rules governing indexing of those deductions. The committee provision would cancel the next scheduled inflation adjustment to the standard deduction (July 1983), thereby postponing it to October 1984 at which time annual adjustments would be resumed. The indexing of the excess shelter/dependent care deduction limit would be postponed from July 1983 until October 1983, at which time annual adjustments would be resumed. In both instances, however, future adjustments would be rounded down to the nearest whole dollar, rather than rounded (up or down) to the nearest $5 increment.

The committee also adopted the approach of the Dole bill with respect to error rate sanctions. The administration had proposed a 3-percent error rate tolerance that would decline to zero by fiscal year 1986; Senator Helm's bill called for States to reimburse the Federal Government for all errors immediately. Under the Dole provision, the error rate tolerance level would be phased down to a 5-percent rate by fiscal year 1985.

In fiscal year 1983, each State would have to reduce its error rate by one-third of the difference between a 5-percent error rate and the rate it had in the October 1980 to March 1981 reporting period (the base period), or have a maximum of 9-percent overissuance errors, whichever was higher. In fiscal year 1984, each State would be required to reduce its error rate by two-thirds of the difference between a 5 percent error rate and the rate it had during the base period, or have 7 percent or less benefits issued in error, whichever was higher. By fiscal year 1985 each State would be required to have 5 percent or less of its benefits issued in error.

Additionally, the sanction or penalty was to be based on a percentage of administrative funding, rather than, as in the administration and Helms bills, on actual program benefits. For each percentage point (or fraction of a percentage point) by which a State's error rate, exceeded the prescribed limits (outlined above), the State would lose 5 percent of its normal Federal funding for administrative costs. In addition, if the State's error rate missed its target by more than 3 percentage points, it would lose an additional 5 percent (for a total of 10 percent) of its Federal administrative cost funding for each percentage point by which its error exceeded its target by more than 3-percentage points. For example, a State that would be expected to reduce its error rate from 14 percent to 11 percent in fiscal year 1983 but reduced it to only 14 percent in fiscal year 1983 would lose 15 percent of its Federal administrative cost funds. If its error rate were to go up in fiscal year 1983 to 15 percent, it would lose 25 percent of its Federal share of administrative funds. On the other hand, a reduction to 11 percent or below would avoid any fiscal sanction.

The committee also adopted a State option block grant proposal included in the Helms bill. Under the block grant, each State could opt to receive the same percentage of the national food stamp appropriation as it had in the previous year and operate a low income nutrition assistance block grant in lieu of the Federal Food Stamp Program. States would be responsible, under such a system, for establishing their own eligibility criteria, application procedures, form of benefits, and method of distribution and redemption.

The committee also adopted numerous provisions from the Helms bill, S. 2352, to tighten program administration and eliminate opportunities for fraud and abuse, and other provisions to modify program administration. In an effort to improve collections of overissued benefits, authority was provided to allow States to collect food stamp fraud overissuances by reducing unemployment compensation which the household may be receiving or to collect such overissuance through a Federal tax refund system similar to that used in AFDC to collect delinquent child support payments.

The bill reauthorized the program for 3 years with authorization levels (including the $825 million block grant for Puerto Rico) of $11.9 billion in fiscal year 1983, $12.3 billion in fiscal year 1984, and $13.2 billion in fiscal year 1985.

The committee's provisions were included, along with those from other committees, in the Senate Budget Committee's bill, S. 2774. The food stamp provisions were estimated to save $823 million in fiscal year 1983, $824 million in 1984, and $884 million in 1985.

The reconciliation bill was adopted by the Senate on August 5 by a vote of 73 to 23. No amendments were offered to change the food stamp provisions in the bill, although the collection provisions (using unemployment compensation benefits and tax refunds) were removed because of the parliamentary situation. (Since the provisions dealt with tax statutes, they could only be considered on a House-passed bill. At the time of Senate consideration, the Senate bill, S. 2774, was being considered. Later, the House bill, H.R. 6955, would serve as the final reconciliation vehicle.)

Meanwhile the House Agriculture Committee considered the food stamp provisions that would be included in the House reconciliation bill, H.R. 6892, dealing with programs within the House Committee on Agriculture.

The House bill provided smaller savings than the Senate bill, $334 million in fiscal year 1983, $431 million in fiscal year 1984, and $561 million in fiscal year 1985.

The House bill included a 3-year reauthorization of the program at $12.6 billion for fiscal year 1983, $12.9 billion for fiscal year 1984, and $13.7 billion for fiscal year 1985. An attempt by Representative Dan Glickman (D-Kansas) to establish a cushion in the authorization levels, ranging from 5 to 10 percent higher than expected annual expenses, was rejected 21 to 22. A similar Glickman proposal had been adopted by the committee in 1980, but was not adopted by the House; it had also been rejected by the committee in 1981.

The committee also approved an amendment by Representative E. Thomas Coleman (R-Missouri), the ranking Republican on the subcommittee, to require that the benefits provided in the Puerto Rico block grant be in the form of noncash benefits effective October 1, 1983. When the block grant program was implemented in July 1982, Puerto Rico had opted for a cash benefit system. The Coleman amendment was adopted when an effort to strip the amendment from the bill by Representative Frederick Richmond (D-New York), the subcommittee chairman, was defeated 10 to 11.

The House Agriculture Committee did not include any delay in the indexing of benefits, and it rejected 20 to 22 an attempt by Representative Coleman to adopt a system similar to that in the Senate bill.

The House Agriculture Committee adopted the same error rate sanction system as had been proposed by Senator Dole in the Senate committee. However, the House committee narrowly defeated, 21 to 22, an amendment by Representative Coleman to make the sanction apply to the actual percentage of benefit dollars overissued, rather than basing the sanction on a percentage of administrative funding.

The House bill, H.R. 6892, was considered in the House on August 10. The bill contained only the Agriculture Committee reconciliation proposals. Representative William Wampler (R-Virginia), ranking Republican on the Agriculture Committee, proposed an amendment dealing with three aspects of the Food Stamp Program. Under the rule under which the bill was being considered, the Wampler amendment was the only food stamp-related amendment permitted to be offered. The Wampler amendment proposed to make three changes in the committee bill:

> Give the Secretary the authority to require that food stamp applicants between 18 and 60 who are physically and mentally able to do so look for jobs when they apply for food stamps. The reported bill gave States the option to require this job search requirement.
>
> Change expedited service criteria to establish maximum eligibility guidelines of $150 in income per month and $100 in liquid assets. The provision would also permit expedited cases to be processed in 5 days, rather than 3 as under existing law.
>
> Change the basis for calculating the error rate sanction to that proposed by Representative Coleman during committee consideration—that is, that the sanction be based on actual benefits overissued, rather than a percentage of administration funds.

Much of the debate focused on the error rate sanction issue. Representative Wampler emphasized the importance of the proposed change in the error sanction:

> We are talking here, remember, about documented cases of ineligibility, of errors being made to people who received food stamps. We are not talking about taking away food stamps from people who deserve them or who are eligible. We are talking about States tightening up the administration of the Food Stamp Program because they are the ones that are making the errors, but they are doing it with our Federal tax dollars. That is the problem.

Representative Frederick Richmond (D-New York), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, responded:

> (The committee bill) put(s) out the carrot and stick and we give the States every opportunity to properly reduce their error rates. The Wampler amendment, unfortunately, is impractical; and if it is put into law, it will have a reverse effect. It will make the States throw up their hands and do nothing to modernize their operations. * * * The Wampler substitute penalizes a State a full dollar for every dollar in benefits overissued over the State's error rate target. This results in huge and unrealistic sanctions that in some cases would exceed 100 percent of the Federal share of a State's administrative costs.

The Wampler substitute was rejected 181 to 210.

Subsequently, Representative Delbert Latta (R-Ohio), ranking Republican member of the House Budget Committee, moved to recommit the bill with instructions to achieve additional savings consistent with the budget resolution previously adopted by the Congress. The Latta motion was defeated 145 to 245. The bill was then adopted 268 to 121.

The provisions of H.R. 6892 were later folded into the omnibus budget reconciliation bill, H.R. 6955 which also passed the House August 10.

The conferees on the reconciliation bill compromised at $1.9 billion in savings for the Food Stamp Program, compared to $1.3 billion in the House bill and $2.5 billion in the Senate version.

The food stamp provisions were included as part of the final conference report which was adopted on August 18 by 243 to 176 in the House and 67 to 32 in the Senate, becoming Public Law 97-253.

In place of the Senate delay in indexing, the conferees adopted a modified proposal to continue indexing, but provide that future benefits would be established at 99 percent, rather than 100 percent, of the value of the thrifty food plan for fiscal year 1983 through fiscal year 1985, returning to 100 percent after that time.

The conference agreement included the error rate sanction system which had been in both bills.

The conferees adopted the Coleman provision in the House bill to require that Puerto Rico convert its block grant to a noncash benefit effective October 1, 1983. The conferees deleted the Senate provision establishing a system of State option block grants after repeated objections from House conferees.

The bill extended the authorization of appropriations for the Food Stamp Program, including the Puerto Rico block grant, for 3 years at the following levels: $12.874 billion for fiscal year 1983, $13.145 billion for fiscal year 1984, and $13.933 billion for fiscal year 1985.

The conferees also included most of the Senate's antifraud provisions. Among other things, the new bill:

> Required that all parents and children or siblings who live together be treated as a single household, unless one of the parents or siblings is elderly or disabled. The bill also specified that an individual who lives with others, but who is 60 years of age or older and who is unable to purchase food and prepare meals because of a permanent disability recognized by the Social Security disability program or a disabling physical or mental infirmity would be treated as a separate household, together with his or her spouse, without regard to the purchase of food and preparation of meals, if the gross income of the other individuals with whom the person lives does not exceed 165 percent of the income poverty guidelines.
>
> Revised the rounding rules for annual adjustments to the cost of the thrifty food plan to provide that rounding would occur only after the thrifty food plan amounts had been calculated for all households and the amounts would then be rounded down to the nearest whole dollar. Also, after the adjustment for inflation, the result in both the standard deduction and the excess shelter/dependent care deduction would be rounded down to the nearest whole dollar increment.
>
> Reformed the treatment of disabled veterans and disabled survivors of veterans to provide the same treatment as already

provided to disabled persons who receive supplemental security income benefits or who receive disability or blindness benefits under the Social Security Act.

Revised the income eligibility test for households without an elderly or disabled member (established the preceding year) to require that these households have net monthly incomes (after the various expense disregards and deductions) below 100 percent of the Federal poverty level, in addition to meeting the 130 percent of poverty gross income test established the previous year, in order to be eligible for food stamp participation.

Required that the July cost-of-living increases in Social Security, SSI, veterans, and railroad retirement benefits not be counted as income for food stamp purposes until October of the same year, when the indexing of food stamp allotment levels occurs.

Delayed the adjustment of the standard deduction and the excess shelter/dependent care deduction from July 1, 1983, to October 1, 1983.

Specifically permitted a State agency to use a standard utility allowance in computing a household's excess shelter expense deduction. An allowance that does not fluctuate within a year to reflect seasonal variations would be permitted but an allowance for a heating or cooling expense would not be used for a household that did not incur a heating or cooling expense and for households in public housing units with central utility meters. Prorating of the allowance would be required in the case of households sharing a residential unit.

Precluded the Secretary of Agriculture from waiving, in the case of migrant farmworkers, the calculation of household income on a prospective basis as required by existing law.

Precluded the Secretary, with some exceptions particularly for vehicles, from altering the food stamp assets limitations regulations which were in effect as of June 1, 1982. However, unlike the regulations, the bill required accessible savings or retirement accounts to be counted in determining whether the financial resources limitation had been exceeded.

Permitted States to consider households in which all members received AFDC benefits and whose gross income did not exceed 130 percent of the poverty guidelines as having satisfied the assets limitation requirements under the Food Stamp Program.

Permitted States, with the approval of the Secretary of Agriculture and if they could show that monthly reporting would result in unwarranted administrative expense, to select categories of households which may report at less frequent intervals. The bill also permitted the Secretary, upon the request of a State, to waive any food stamp periodic reporting rules (other than those exempting certain categories of recipients from periodic reports) to the extent necessary to allow the State to establish periodic reporting rules for the Food Stamp Program that are similar to those for the AFDC Program. The bill also excluded from monthly reporting requirements households without earned income in which all adult members were elderly or disabled. The bill also removed the requirement that the

Secretary of Agriculture design or approve the forms used by the States for nonperiodic reporting of changes in household circumstances.

Provided that, at the option of the State, job search requirements could be imposed on applicants, as well as recipients.

Increased the disqualification period for voluntarily quitting a job from 60 to 90 days and extended the definition of a voluntary quit without good cause (and the attendant period of ineligibility) to include Federal, State, or local government employees who have been dismissed from their jobs because of participation in a strike against the Government entity involved. The bill permitted the Secretary to fix the starting point of the disqualification period for participants when a participant voluntarily quit a job.

Eliminated the exemption from work registration for parents or caretakers of children when the parent or caretaker is part of a household in which there is another able-bodied parent or caretaker subject to food stamp work requirements. The effect of this provision was to require a second parent or caretaker in a household to register for work when the youngest child in the household reached age 6.

Revised food stamp eligibility requirements for post secondary students by limiting participation by students with dependents to those with dependent children under age 6 and students who were receiving AFDC unless the student is the parent of a dependent child above the age of 5 and under the age of 12 for whom adequate child care is not available.

Authorized the Secetary to require State agencies to use alternative issuance systems or to issue, in lieu of food stamps, a reusable document to be used as part of an automatic data processing system, if the Secretary, in consultation with the inspector general, determines that use of such system or document is necessary to improve the integrity of the Food Stamp Program. Retail food stores could not be required to bear the cost of any system or document.

Eliminated prorated benefits of less than $10 in the first month of participation.

Required food stamp benefits to be prorated to the day of application for recertification if the application for recertification occurred after the end of the last month for which benefits were received.

Prohibited any increase in food stamp benefits to households on which a penalty resulting in a decrease in income has been imposed for intentional failure to comply with a Federal, State, or local welfare law.

Authorized the Secretary of Agriculture to limit the participation of house-to-house trade routes to those that are reasonably necessary to provide adequate access to households if the Secretary finds, in consultation with the Department's inspector general, that operation of house-to-house trade routes damages the integrity of the Food Stamp Program.

Prohibited the Secretary of Agriculture from requiring that the States submit, for prior approval, State agency instructions, interpretations of policy, methods of administration, forms, or other materials, unless the State determines that they alter or amend its plan of operation for the Food Stamp Program or conflict with the rights and levels of benefits to which households are entitled.

Eliminated the requirement that State agencies comply with Federal standards with regard to points and hours of certification and issuance.

Permitted the Secretary of Agriculture (i) to restrict the number of households for which one individual may serve as an authorized representative and (ii) to establish criteria and verification standards for representatives and for households that may be represented.

Allowed the disclosure of information obtained from food stamp households to persons connected with the administration or enforcement of other Federal assistance programs and federally assisted State programs.

Permitted the States to reduce benefits immediately or to terminate a household from the Food Stamp Program when a written notice is received from the household that clearly requires such a reduction or termination.

Required State agencies to establish a system and take periodic action to verify that no individual is receiving food stamps in more than one jurisdiction in the State.

Permitted each State to choose whether (i) AFDC and general assistance households must have their food stamp application included in their AFDC or general assistance application, and (ii) food stamp applications must be certified eligible based on information in the AFDC or general assistance case file to the extent reasonably verified information is available in the file.

Mandated that the Secretary of Agriculture require State food stamp agencies to conduct at least annual verification or other measures to ensure that individuals who have been cashed out of the Food Stamp Program are not also receiving food stamps.

Raised the maximum civil money penalty from $5,000 to $10,000 for each violation of the Food Stamp Act of 1977 or regulations committed by a retail food store or wholesale food concern. The provision also set, by statute, the periods of disqualification applicable to such entities. The disqualification period for the first violation would be for a reasonable period of time between 6 months and 5 years. The disqualification period for a second violation would be for a reasonable period of time between 12 months and 10 years. A retail food store or wholesale food concern would be permanently disqualified for a third violation or for trafficking in food stamps or authorization documents.

Permitted the Secretary to require retail food stores and wholesale food concerns that have previously been disqualified or subjected to a civil penalty to furnish a bond to cover the value of food stamps they may subsequently redeem in violation of the act. The Secretary would prescribe the amount and other terms and conditions of such bond by regulation.

Permitted States to use other means of collection for fraud and nonfraud overissuances besides cash repayment and benefit offset. Specified that States may retain 50 percent of recovered overissuances arising from fraud and 25 percent of recovered nonfraud overissuances, except in the case of State error, in which case the State may retain none of the recovered overissuances. The new provision applied to collections through other, nonmandated collection system. The same percentages already applied with regard to federally established methods, such as benefit offset.

Allowed the household of a disqualified person 30-days after a demand for an election to choose between a reduced allotment or repayment in cash to reimburse the Government for any overissuance of food stamp benefits.

Authorized the Secretary to conduct four pilot projects to determine the effects of making nonexempt individuals ineligible to participate in the Food Stamp Program if they do not, with certain exceptions, work at least 20 hours per week or participate in a workfare program.

Required the Secretary to study and report to the House and Senate Agriculture Committees by March 1, 1985, on the effect of reductions in food stamp benefits provided under the Omnibus Budget Reconciliation Act of 1981, the Agriculture and Food Act of 1981, and any other laws enacted by the 97th Congress that affect the Food Stamp Program.

Required the Secretary of Agriculture to conduct a study of the cash food assistance program in Puerto Rico, including the impact of the program on the nutritional status of residents of Puerto Rico and the economy of Puerto Rico, and report the findings of the study to the House and Senate Agriculture Committees no later than 6 months after the effective date of the bill.

Required the Secretary to promulgate guidelines for food stamp workfare programs that would enable political subdivisions to operate such programs in a manner consistent with similar workfare programs operated by the subdivision. A political subdivision could comply with food stamp workfare requirements by operating (i) a workfare program under the Aid to Families with Dependent Children Program or (ii) any other workfare program which the Secretary determines meets the provisions and protections contained in the Food Stamp Program.

Deleted the automatic exemption from the workfare requirements for food stamp participants who are involved at least 20 hours a week in a work incentive program but provided that a State may, at its option, exempt such participants from the workfare requirements.

Revised the maximum number of hours that an agency operating a workfare program could require of a participating member. Under the revision, a workfare participate cannot be required to work more hours than those equal to the value of the allotment to which the household is entitled divided by the applicable minimum wage or more than 30 hours a week when added to any other hours worked during a week for compensation (in cash or in kind) in any other capacity.

Directed the Secretary to reimburse agencies operating workfare projects, for administrative expenses, not otherwise reimburseable, from one-half of the funds saved from employment related to workfare programs. Such savings mean an amount equal to three times the dollar value of the decrease in food stamp allotments resulting from wages received for the first month of employment which commences while the member is participating in a workfare program for the first time or in the 30-day period immediately following the termination of the member's first participation in the workfare program. Payments to agencies cannot exceed their share of workfare administrative costs.

Stated the sense of the Congress that the Federal Government should take steps to distribute surplus food or food that would otherwise be discarded to hungry people of the United States, that State and local governments should enact donor liability laws to encourage private cooperative efforts to provide food for hungry people, and that food distribution and shipping entities should work with organizations to make food that is wasted or discarded available for distribution to the hungry.

### *Fiscal year 1983 appropriations*

The House Appropriations Committee for the second year in a row recommended appropriations for the Food Stamp Program for only part of the fiscal year, this time through July 15, 1983. The fiscal year 1983 bill provided partial year funding for both food stamps and child nutrition programs; the preceding year had provided partial year funding only for the Food Stamp Program.

The committee appropriated $9.5 billion for the Food Stamp Program, the amount requested by the administration, but an additional $2.2 billion would be required to fund the program for the entire 12 months of the fiscal year. A separate appropriation of $825 million for the Puerto Rico block grant was included. The bill, H.R. 7072, was reported on September 9, and considered by the full House on September 21. Representative Robert S. Walker (R-Pennsylvania) proposed an amendment to require the $9.5 billion to be the appropriation for the full fiscal year, as proposed by the administration. He noted that the partial year funding institutionalized supplemental appropriations, making it difficult to curb Federal spending. His amendment was defeated 125 to 246. The appropriations bill passed 264 to 105.

The Senate Appropriations Committee took a different approach from the previous year by recommending full year appropriations for the Food Stamp Program at $11.6 billion (including Puerto Rico). No food stamp amendments were considered during Senate consideration of the bill on September 28 when the bill passed 84 to 14.

The major dispute in the conference was the issue of partial year funding for the food assistance programs. House Appropriations Committee Chairman Jamie Whitten (D-Mississippi) refused to drop the House partial year funding position, unless the administration made a formal request for additional money. While the conference was still meeting, the administration did request the additional food stamp funds on December 7—full year funding of $11.6 billion was included in the conference report which passed the Congress on December 15, by voice vote in the Senate and by 324 to 73 in the House, becoming Public Law 97-370.

Prior to the passage of the bill, appropriations had been provided since the beginning of the fiscal year (October 1, 1982) by continuing resolution. The resolution, H.J. Res. 599, provided temporary funding for several Federal agencies including the Department of Agriculture, becoming Public Law 97-276.

### *New Federalism discussed*

In his State of the Union Address, on January 26, 1982, President Ronald Reagan announced a broad plan to realign various functions of Federal programs and those operated by the States and localities. His proposal, "New Federalism", envisioned a shift of some 40 social, transportation, and community development programs—and revenues to pay for them initially—to the States. The major component of his proposal was a swap in which the Federal Government would assume all of the costs of the Medicaid Program, currently shared by Federal and State governments, in exchange for State assumption of the AFDC and Food Stamp Programs. States financed approximately one-half of the AFDC costs but very little of food stamp costs—50 percent of the administrative costs which accounted for about 10 percent of all program costs or about 5 percent, or less than $500 million, of the total program costs.

Said the President: "This will make welfare less costly and more responsive to genuine need because it will be designed and administered closer to the grassroots and the people it serves." In describing his overall plan, the President said: "In a single stroke, we will be accomplishing a realignment that will end cumbersome administration and spiraling costs at the Federal level while we insure that these programs will be more responsive to both the people they are meant to help and the people who pay for them."

The administration contended that the swap would be financially advantageous to the States that otherwise would have to pay increasing Medicaid costs.

Administration representatives engaged in negotiations with representatives of State and local officials and interest groups throughout much of 1982, but no consensus on an exact legislative package was reached. No legislation was actually submitted by the administration or introduced to achieve the proposal outlined by the President.

### *Legislation introduced—1982*

Representative E. Thomas Coleman (R-Missouri) and one cosponsor introduced House Resolution 423 on April 1, 1982, to specify that Puerto Rico should provide assistance under its block grant in a noncash form.

Several comprehensive food stamp bills were introduced:

S. 2352, Senator Jesse Helms (R-North Carolina), April 1, 1982;

S. 2392, Senator Jesse Helms (R-North Carolina), April 15, 1982;

H.R. 6194, Representative George Hansen (R-Idaho), April 28, 1982;

S. 2480, Senator S.I. Hayakawa (R-California), May 4, 1982;

S. 2493, Senator Robert Dole (R-Kansas), with five cosponsors, May 5, 1982;

H.R. 6394, Representative E. Thomas Coleman (R-Missouri), May 18, 1982; and

H.R. 6844, Representative Frederick Richmond (D-New York), July 22, 1982.

Senator John Melcher (D-Montana) introduced S. 2415 on April 21, 1982, to disregard for 3 months cost-of-living increases provided in certain programs.

Representative Edward Roybal (D-California) introduced H.R. 6322 on May 6, 1982, to provide a special household definition for households with elderly.

Bills were introduced to tighten work requirments, especially for the long-term able-bodied unemployed:

S. 2522, Senator S.I. Hayakawa (R-California) with 4 cosponsors, May 12, 1982; and

H.R. 6478, Representative Larry Craig (R-Idaho), May 25, 1982.

Bills were also introduced to require greater verification for participation in several Federal programs, including the Food Stamp Program:

H.R. 7148, Representative Margaret Heckler (R-Massachusetts), September 21, 1982; and

H.R. 7161, Representative Barney Frank (D–Massachusetts), October 1.

Senator Daniel Patrick Moynihan (D-New York), proposed Senate resolution 521 on December 17, 1982, to preserve food stamp benefits.

## 1983

### *1983 overview*

In 1983, food stamp legislative activity was concentrated in the months of October and November, largely in the context of program funding through continuing resolutions. Authorizing legislation was also approved making changes in the monthly reporting requirements which were scheduled to take effect October 1, 1983, having been mandated in the Omnibus Budget Reconciliation Act of 1981. Additionally, the requirement that Puerto Rico furnish noncash benefits under its block grant was postponed until October 1985.

The administration's food stamp budget proposals were not adopted, and the issue of hunger in America prompted President Reagan to establish a Presidential task force to study the issue. The reports from the President's Private Sector Survey on Cost Control, the Grace Commission, included numerous recommendations for the Food Stamp Program.

### *Fiscal year 1983 supplemental appropriations*

The Congress moved in 1983 to address the almost perennial issue of a food stamp supplemental appropriation. The House Appropriations Committee reported H.R. 3069 on May 18, which included $1.2 billion for the Food Stamp Program for the remainder of fiscal year 1983. An increase was necessary to avoid implementation of procedures to reduce or terminate benefits to recipients for the remainder of the fiscal year. The bill was passed in the House on May 25, by a vote of 309 to 92. The Senate Appropriations Committee recommended the same amount, which was approved by the Senate on June 16, 64 to 33. Conferees agreed to that figure as a part of the conference report on the bill. The supplemental appropriation for the Food Stamp Program became a part of Public Law 98-63.

### *Antihunger resolutions*

Early in 1983, resolutions had been introduced to express the sense of Congress that food assistance programs should be protected from any further budget reductions. Senator Rudy Boschwitz (R-Minnesota) introduced Senate Concurrent Resolution 6 on January 27 with six cosponsors. Representative Leon E. Panetta (D-California) introduced a similar resolution, House Concurrent Resolution 40, on the same day.

The Senate Appropriations Committee reported the Senate resolution on March 8, 1983. During consideration of the supplemental appropriations bill, H.R. 3069, on June 10, Senator Boschwitz offered the text of the resolution as an amendment to the bill. The Boschwitz amendment urged that Federal nutrition programs, including the Food Stamp Program, should be protected from budget cuts that would prevent them from responding effectively to nutritional needs in the United States.

Senator Boschwitz said:

> The resolution (S. Con. Res. 6) expressed our commitment to insuring that Federal nutrition programs are funded at levels allowing them to respond effectively to the nutritional needs of Americans.
>
> * * * I feel the time is right to once again demonstrate the Senate's concern about protecting funding for nutrition programs.

Senator Jesse Helms (R-North Carolina), chairman of the Agriculture Committee, commented on the resolution:

> There are some inside and outside of Congress, who mistakenly hold the impression that this resolution is a statement of opposition to further reductions in spending for the Food Stamp and Child Nutrition Programs. A careful, objective reading of the resolution makes clear that the only reductions to which the Senate is expressing an opinion are those which, if enacted, "would prevent them—the programs—from responding effectively to nutritional needs in the United States."
>
> It should be remembered that none of the budget reductions made during the 1981 or 1982 Reconciliation Acts had an adverse impact on the ability of these nutrition programs to respond effectively to nutritional needs of low-income citizens in the United States. Rather those bills were aimed at targeting these benefits precisely to those who should be served by them—the poor who, through no fault of their own, are unable to care for themselves.

The Boschwitz amendment was adopted by voice vote. However, the resolution was not included in the conference report subsequently adopted.

Later in the year, on August 1 and 2, the House resolution, House Concurrent Resolution 40, was considered. The bill had been reported on July 29. The House resolution was similar to the Boschwitz resolution, but somewhat broader, stating that:

> Funding for Federal nutrition programs including * * * food stamps should be protected from further budget cuts and should continue to respond effectively to the urgencies of unemployment and food prices.

Representative E. Kika de la Garza (D-Texas), chairman of the House Agriculture Committee, supported the resolution:

> With respect to the Food Stamp Program * * * legislation enacted in 1981 and 1982 under the duress of reconciliation and other constraints resulted in savings estimated by the Congressional Budget Office to total in excess of $8 billion. While this legislation addressed many aspects of the program, including a series of provisions designed to combat fraud and abuse, the savings largely reflected reductions in benefits for the needy.
>
> * * * These programs * * * have already been cut to the bone, and then some. Any further cuts in the benefits for those who are eligible under these programs will have devasting effects among those * * * who are least able to sustain this burden.

Representative Leon E. Panetta (D-California), sponsor of the resolution and chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition, described the resolution:

> * * * There should be no nutrition program cutbacks for the duration of the 98th Congress and that the Federal Government should maintain its current responsibilities in nutrition assistance.

Representative James M. Jeffords (R-Vermont) also supported the resolution:

> The Food Stamp Program has undergone change after change over the past 6 years. We have whittled away at it to the point where I am not sure that there is much fat left. The error rate is still too high, to be sure. But let us not mistake efforts to correct this problem with efforts to reduce benefits to individuals.

The resolution passed overwhelmingly on August 2 by 407 to 16. No action on H.Con. Res. 40 was taken by the Senate.

### *Fiscal year 1984 appropriations*

Later in 1983, Congress considered the fiscal year 1984 agriculture appropriations bill. Congress did not complete action on the bill itself, but rather included Agriculture Department appropriations, including the appropriation for the Food Stamp Program, in a continuing resolution, providing appropriations for many Government agencies and departments.

For the third year in a row, the House Appropriations Committee recommended partial year funding for the Food Stamp Program. The committee recommended $10.9 billion for the Food Stamp Program and an additional $825 million for the Puerto Rico block grant, for a total of $11.7 billion. However, the appropriation was designated to cover expenses only through September 6, 1984. (As in 1982, the bill provided partial year funding for the child nutrition programs as well.)

The House passed the bill, H.R. 3223, on June 8 by a vote of 297 to 115. No amendments related to food stamps were offered.

The Senate Appropriations Committee provided the same amount of funding, and for the same part of the year, ending September 6, 1984. However, the Senate Appropriations Committee also included two legislative provisions in the bill. One provided for a permanent change in the Food Stamp Act of 1977 to permit Puerto Rico to retain the cash system it had established as part of its nutrition assistance block grant. (Under the 1982 reconciliation bill, Puerto Rico was required to convert to a noncash system on October 1, 1983.)

Second, the committee specified that residents of publicly operated mental health centers should be treated in the same manner as residents of private nonprofit drug addiction or alcoholic treatment and rehabilitation centers—that is, permitted to participate.

Senator Jesse Helms (R-North Carolina), chairman of the authorizing committee, had objected to the inclusion of legislative matter under his committee's jurisdiction, specifically the Puerto Rico change. After consultation with Senator Helms, the Appropriations Committee amendment was modified when the bill was considered on June 29 to make temporary, until January 1, 1984, rather than permanent, the change affecting Puerto Rico.

Senator Helms also objected to the partial year funding for both the Food Stamp and Child Nutrition Programs. He proposed an amendment to strike the partial year dates for both food stamps and child nutrition, so that the appropriations provided would be for the full fiscal year.

Senator Helms said:

> I offer this amendment to have truth in packaging in this appropriations bill * * *.
>
> The net result (of the partial year funding) is that full-year funding * * * could be, and undoubtedly will be, substantially above the request made by the administration.
>
> I think it is bad enough when we have to increase spending because of unforeseen circumstances but when we build into the spending process a plan to spend more money in a future supplemental then I do not think we are being fair to ourselves and I do not think we are being fair to the taxpayer.

Senator Thad Cochran (R-Mississippi), chairman of the Agriculture Appropriations Subcommittee argued against the amendment, saying that if legislative changes to reduce program costs were not made, as they had not been, it was the responsibility of the Appropriations Committee to provide sufficient funding for the Government to meet its obligations.

The administration's fiscal year 1984 legislation, S. 1208, consisted of proposals intended to streamline the process of determining benefits by simplifying the calculation of deductions, the definition of an eligible household, and the eligibility of AFDC households. The bill proposed that households receiving AFDC be deemed categorically, or antomatically eligible, for food stamp participation as long as those households have gross incomes at or below 130 percent of the poverty level. Additionally, the administration proposed to hold States liable for overissuances payment errors exceeding 3 percent of benefits, and to require the establishment of a Community Work Experience Program, workfare, for able-bodied food stamp recipients.

The Helms amendment was defeated 24 to 73.

The bill was then passed 77 to 18.

While a conference agreement on H.R. 3223 was reached on October 27, 1983, the bill was never acted on independently. Rather, the conference report figure was included in the second continuing resolution, House Joint Resolution 413, which passed the Congress on November 12, becoming Public Law 98-151. In conference, the conferees decided to keep the $11.7 billion figure, but eliminated the September 6 funding determination date, in the hope that the $11.7 billion would last throughout the entire fiscal year.

Prior to the passage of House Joint Resolution 413, however, the Congress passed a short continuing resolution to provide funding for all programs for which appropriations had not been made through separate appropriation bills. The bill, House Joint Resolution 368, provided funding from October 1, 1983 through November 10, 1983. The bill provided funding essentially at current services levels of spending for the Food Stamp Program, rather than at the reduced levels proposed by the Reagan administration. As part of the conference report on House Joint Resolution 368, conferees included 3 legislative provisions. The first provided for a 3-month postponement of the date that Puerto Rico would have to convert to a noncash system for its block grant, as agreed to in the Senate in H.R. 3223. The second provided a similar 3-month postponement in the implementation of monthly reporting/retrospective budgeting, a provision not previously included in either the House or Senate version of H.R. 3223. Both postponements would expire January 1, 1984. The third legislative provision was the mental health centers provision which had been included in the Senate's version of H.R. 3223.

When the conference report on House Joint Resolution 368 was considered in the Senate on September 30, Senator Jesse Helms (R-North Carolina) objected to the 3-month delay in the implementation of monthly reporting and retrospective budgeting. Senator Helms proposed an amendment to the conference report deleting the delay, saying that his amendment:

> Deletes an extraneous amendment added by the conferees which was mystifying to this Senator, at least, in terms of having been considered at all. It was sprung on the conference, as I understand it, with no advance knowledge or notification. It has not been considered by the authorizing committee in either the House or the Senate.
>
> Every State has had 2 years to implement this regulation, which was approved by Congress, both House and Senate, and signed by the President, in 1981 * * * I just do not understand why Congress would allow some States to drag their feet in implementing a very clear mandate by Congress to work toward eliminating some of the fraud in the Food Stamp Program.

Senator Thad Cochran (R-Mississippi), chairman of the Agriculture Appropriations Subcommittee indicated that House conferees had insisted upon the 90-day delay since the Senate version of House Joint Resolution 368 contained two legislative provisions, dealing with Puerto Rico and mental health centers. Senator Cochran said:

> The legislative committee will have an opportunity to address this issue. This requirement is causing serious problems for many States across the country.
>
> What the language * * * would do is postpone the October 1, 1983, deadline for 3 months, or 90 days, to allow the Agriculture Committee and the Congress time to ascertain whether the Department intends to utilize its waiver authority in a manner that can resolve the serious problems now facing the States or whether further legislation is needed.

Senator Helms agreed to withdraw the amendment in return for agreement from several Appropriations Committee Senators that the implementation of monthly reporting and retrospective budgeting would not be postponed further.

The first continuing resolution, House Joint Resolution 368, became Public Law 98-107.

The second continuing resolution began with a short resolution, House Joint Resolution 403, proposed by the House Appropriations Committee simply to continue all Federal programs through February 29, 1984, at the levels provided in the first continuing resolution by which time it was anticipated Congress would either pass the individual appropriations bills which it had not acted upon, or would pass another continuing resolution. This short, or clean resolution was reported on November 3, 1983, at the same time another bill, H.R. 4293, was reported which contained other amendments supported by committee members.

However, the attempt to pass a clean continuing resolution ran into trouble when various amendments were proposed on the House floor on November 8. Representative Jim Wright (D-Texas), the majority whip, proposed an omnibus amendment to add $1 billion in spending for various domestic programs. Because the Wright amendment dealt with separate items, Representative Robert S. Walker (R-Pennsylvania) demanded that the amendment be divided, thus requiring a separate vote on each individual proposal. One position of the Wright amendment was a provision postponing the monthly reporting and retrospective budgeting requirement of the Food Stamp Program until October 1, 1984.

Representative Walker charged that the postponement of the monthly reporting and retrospective budgeting provision "would virtually cancel for 1984 an antifraud provision that this Congress put in place about 2 or 3 years ago."

Representative Leon E. Panetta (D-California), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the Agriculture Committee responded in favor of the postponement:

> It is very clear that if States are going to meet the targets we have set with regard to penalties, we should let the States do it as they choose. Let us not impose an administrative process on them that many of the States simply cannot use effectively.

This division of the Wright amendment narrowly passed 210 to 201 on November 8. The House then passed en bloc those portions of the Wright amendment that had previously been adopted individually, 254 to 155. However, on final passage of the bill, the bill was defeated 203 to 206.

A new continuing resolution appropriations bill, House Joint Resolution 413, was considered by the House on November 10. The bill included primarily those portions of the Wright amendment that had been adopted by the House on November 8. This time the continuing resolution, including appropriations for the Food Stamp Program and the delay in monthly reporting and retrospective budgeting, passed by a vote of 224 to 189.

Meanwhile, the Senate Appropriations Committee reported its continuing resolution, Senate Joint Resolution 194, to continue all programs not otherwise appropriated through the end of fiscal year 1984. When the House bill, House Joint Resolution 413, was considered in the Senate on November 10, Senator Mark Hatfield (R-

Oregon) chairman of the Senate Appropriations Committee, moved to strike the Wright amendment from the bill. His amendment passed 53 to 36. Thus, the delay in the mandatory implementation of monthly reporting was among the provisions removed by the Hatfield motion.

Conferees settled on food stamp funding at $11.7 billion for the full fiscal year which became part of Public Law 98–151. The 1-year delay of the implementation of monthly reporting was not included. However, a 3-month delay had been contained in the first continuing resolution, Public Law 98–107.

*Authorizing legislation on Puerto Rico and monthly reporting*

In 1983, congressional attention on the Food Stamp Program focused on making changes through the appropriations process. However, when the House-Senate conferees on the first continuing resolution adopted the Senate provision providing a delay in Puerto Rico's conversion to a noncash benefit under the block grant to January 1, 1984, rather than permanently, as had been proposed by the Senate Appropriations Committee, attempts to make a long-term change in the conversion requirement began through the authorization process.

A bill, H.R. 4252, to eliminate the requirement for a conversion to a noncash system (the so-called Coleman amendment from 1982) under the block grant was introduced on October 31, 1983, by Puerto Rico's Resident Commissioner in the House of Representatives, Baltasar Corrada (New Progressive-Puerto Rico). As introduced, the bill called for the permanent repeal of the Coleman amendment.

The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the House Agriculture Committee met on November 2, 1983, to consider H.R. 4252. Representative E. Thomas Coleman (R-Missouri) proposed two amendments which were adopted by the subcommittee and included in the bill reported from the full committee on November 8. The Coleman amendments proposed to suspend until August 1, 1985, rather than permanently, the requirement to convert to a noncash benefit in Puerto Rico and to require a second study by the Department of Agriculture on the impact of the cash program, as compared with the coupon program, on household nutrition and food expenditure.

On November 15, 1983, the bill was considered by the House under suspension of the rules, which permits no amendments and limited debate (that is, 40 minutes), and the bill was passed by voice vote.

In addressing the Puerto Rico issue, Representative Coleman said:

> Since the government of Puerto Rico has chosen to issue food assistance benefits in cash, I have been concerned about the impact of this decision—both on the people receiving benefits in Puerto Rico and the precedent this decision has for the entire Food Stamp Program. I would have the same concern had this decision been made in my own State of Missouri.
>
> Be assured, this is not an issue unique to Puerto Rico. It has implications for the entire Food Stamp Program and therefore for the needy people who rely on this program for themselves and their families. I believe the committee has shown that it is also uneasy about allowing a permanent change in the method of delivering food assistance from the current noncash or in-kind system.

During consideration of H.R. 4252, Representative Leon E. Panetta (D-California), chairman of the subcommittee, moved to include several modifications to the monthly reporting and retrospective budgeting requirements of the law that were scheduled to take effect January 1, 1984. These modifications had been worked out with Democratic and Republican leaders in the House and Senate.

Representative Panetta described the situation with regard to the monthly reporting and retrospective budgeting issue:

> At my request, a proposal to retain a State option in this area was included in the Wright amendment passed by the House last week as part of the continuing resolution. I would have preferred that the problems posed by monthly reporting be addressed in this manner. However, this provision was dropped in conference. And now, with the deadline for mandatory monthly reporting approaching, it is incumbent upon Congress to do what we can to ease the burdens States will shortly face in implementing monthly reporting systems.

The bill was adopted by voice vote on November 15, 1983.

The Senate considered the bill on November 17. Senator Jesse Helms (R-North Carolina) proposed an amendment to make permanent the repeal of the Coleman amendment.

In support of maintaining Puerto Rico's flexibility to determine the form of monthly benefits under the block grant, Senator Helms said:

> It is simply impractical to plan to deal with this issue as a separate matter again in the summer of 1985—as would be required under the pending House bill—because both the Senate and House will be deeply involved in the reauthorization of the entire Food Stamp Program and concurrently, with the reauthorization of numerous commodity programs, both of which have proven historically to be rather time consuming.
>
> Puerto Rico should be out from under the sword of Damocles posed by the Coleman amendment. If the subsequent evidence of the second USDA study warrants a change in the Puerto Rico Program, certainly that can be done. However, Puerto Rico needs to have the freedom in the interim to be about the business of operating its current program. Much money has already been spent in trying to plan some noncash assistance program to comply with the Coleman amendment.

With regard to the monthly reporting changes, Senator Helms said:

> There has been a good deal of misinformation on the subject circulated for some time. I should emphasize that not all households are required to file monthly reports. Rather, the intent is that households with income and those most likely to have income, should be targeted for more timely and accurate reporting of their income. Audits of the Food Stamp Program have shown consistently that the most frequent cause for overissuance errors in the program is the underreporting of actual income by food stamp recipients.

The amendment was adopted by voice vote and the bill was agreed to and returned to the House where further action was taken on November 18, the last day of the congressional session. Action had to be completed if Puerto Rico was to avoid converting to a noncash system on January 1, 1984. Representative Coleman objected to making permanent the repeal of the noncash conversion requirement as passed by the Senate.

A compromise worked out by Representative E. (Kika) de la Garza (D-Texas), chairman of the House Agriculture Committee and Senator Jesse Helms (R-North Carolina), chairman of the Senate Agriculture Committee, proposed to suspend the conversion requirement through September 30, 1985, 2 months longer than the period included in the first House-passed bill. Inasmuch as the

Food Stamp Act of 1977 expires September 30, 1985, it was suggested, this issue would be revisited during reauthorization deliberations in 1985 along with other food stamp issues.

The compromise version of H.R. 4252 passed the House by voice vote just before the House adjourned on November 18 for the remainder of 1983. The Senate passed the bill by voice vote a few minutes later before its adjournment. The bill became Public Law 98-204.

As passed, the bill:

Suspended the requirement (scheduled to take effect January 1, 1984) that nutrition assistance in Puerto Rico be made available in a form other than cash through September 30, 1985.

Directed the Secretary of Agriculture to carry out a study of the Nutrition Assistance Program in Puerto Rico to include an assessment of: (a) Its impact on the adequacy of the nutritional level of diets of households receiving food assistance in the form of cash rather than in noncash form, and (b) the expenditure levels of such households for food. The Secretary would be required to report the findings of the study to the House Committee on Agriculture and the Senate Committee on Agriculture, Nutrition, and Forestry by March 1, 1985.

Allowed States to waive, with the approval of the Secretary, the existing requirement that the minimum certification period for food stamp households that must submit monthly reports of income be 6 months.

Provided authority for the Secretary to waive the existing requirement that certain food stamp households not subject to monthly reporting requirements have 12 months maximum certification periods.

Allowed States, with the approval of the Secretary, to calculate household income for certain households on a prospective, rather than retrospective basis. Households for which a waiver may be approved are those that: (i) Are permitted to report household circumstances at specified intervals less frequent than monthly; (ii) have no earned income and in which all adult members are elderly or disabled members; and (iii) are any other households, other than a migrant household, not required to report monthly or at less frequent intervals.

Provided that the Secretary may permit State agencies to accept several forms of reporting to be used to satisfy reporting requirements for households reporting at specified less frequent intervals—that is, those households not filing monthly reports. These forms would include recertifications conducted in accordance with section 11(e)(4) of the act, in-person interviews conducted during a certification period, the filing of written reports, and such other means as are prescribed by the Secretary.

Provided that reports required to be filed monthly shall be the sole reporting requirement for subject matter included in such reports rather than the sole source for reporting all changes in circumstances for participating households.

Continued to require States to perform wage matching procedures. States that maintain quarterly unemployment compensation records would continue to use such records for wage matching purposes. States that do not have such data would use either Social Security Administration wage information (as required under current law) or comparable information, as approved by the Secretary.

### *President's Task Force on Food Assistance*

Even as unemployment rates declined and the economy appeared to be improving, reports of hunger in America surfaced repeatedly in 1983. Both the Senate and House Agriculture Committees held hearings on the subject, and, as noted earlier, resolutions were passed in both the House and Senate. Charges were made that the nutritional status of low-income Americans had declined and that some, or all, of the blame lay with the changes legislated by the Congress, some of which had been recommended by President Reagan.

In response to the situation, President Reagan announced on August 2, 1983, that he was requesting a study of the reports on hunger and an assessment of Federal food assistance programs which had been established to assist the needy. The President's Task Force on Food Assistance was formally established by Executive order on September 8, 1983 with 13 members.

The task force conducted seven regional meetings in the fall of 1983 prior to making its recommendations in January 1984.

### *Grace Commission recommendations*

Another Presidential commission began making its recommendations during 1983. During 1982, President Reagan had announced the formation of the President's Private Sector Survey on Cost Control, to be headed by J. Peter Grace, president of W.R. Grace & Co. The Grace Commission reviewed all aspects of Government from a private sector perspective and made recommendations for program improvements.

The Grace Commission organized into 36 task forces, some of which examined specific departments while others looked at crosscutting functions of the Federal Government.

Three of the Grace Commission task forces made recommendations affecting the Food Stamp Program.

The task force report on the Department of Agriculture made the bulk of specific food stamp recommendations as follows:

> Update the thrifty food plan annually to reflect participant age and sex characteristics in household food stamp allotments at the same time cost factors are adjusted for inflation;
>
> Economies-of-scale adjustment factors should be brought more in line with the actual differences in purchase costs based on family size. These factors should be based on how people should, instead of how they actually do, spend their food money;
>
> The minimum monthly benefit of $10 for one- and two-person households should be eliminated;
>
> The costs of printing food stamp coupons could be reduced by (1) redefining the individual coupon book makeup, (2) adopting a $20 coupon denomination, (3) creating a $100 coupon book,

and (4) distributing loose $1 coupons, and eliminating the $2 book;

Include the value of Federal school lunch subsidies as income when determining food stamp eligibility and entitlement values; and

Include the value of Federal subsidies received from the School Breakfast, Child Care Food, and the Summer Food Service Programs as income when determining food stamp eligibility and entitlement values.

The Task Force on Financial Asset Management recommended that the distribution of food stamps should be altered so that a designated percentage of each household's allotment could be marked for the specific purchase of dairy products of the type purchased by CCC. The percent so marked should be adjusted periodically to reflect market conditions as they relate to dairy support prices.

Without specifically mentioning individual programs, the Task Force on Financial Asset Management recommended that general debts owed the Federal Government should be offset against IRS tax refunds as a last resort in the debt collection process.

The Task Force on Low-Income Standards and Benefits also made several legislative recommendations requiring action by Congress:

Enact a combined welfare administration proposal, which would include administrative costs associated with major Federal welfare programs, including the Food Stamp Program;

Adopt the Department of Labor's draft legislation entitled "Income Maintenance, Fraud, and Overpayments Control Act of 1982." The legislation would require that all States collect quarterly wage data, in order to control fraud and overpayments in federally assisted programs, as a condition for receiving Federal funds for Unemployment Compensation Administration,;

Amend the Tax Reform Act of 1976 to permit the disclosure of wage data maintained by the Social Security Administration and information on unearned income maintained by the Internal Revenue Service;

Require submission of Social Security numbers and income tax returns as a condition of eligibility;

Standardize and target the use of available data information;

Accelerate present efforts of Federal agencies to coordinate data on welfare recipients;

Issue Federal regulations to standardize Federal and State welfare recipient forms to enhance the accessibility of common information; and

Continue to use the statewide integrated eligibility determination and recordkeeping system [SIEDRS] as a model for States to follow in the implementation of automated systems.

The task force commented on the high error rates in the Food Stamp Program and the need to continue on an accelerated basis current pilot projects, cash-out demonstrations, and electronic transfer systems aimed at developing an alternative to food stamp coupons as a means of providing nutritional assistance. Either of these approaches could be combined with a block grant to the States for nutritional assistance with established Federal minimums that could be exceeded by the States should they so desire, according to the task force.

The task force also commented on the multiplicity of needs-based programs which it said "has created a complex situation in which many agencies within numerous departments perform distinct but overlapping functions. This situation has given rise to a cumbersome welfare bureaucracy at State and local levels as well as the Federal level."

### *Legislation introduced—1983*

Bills were again introduced in 1983 to require a work requirement—called workfare or jobfare—in various Federal assistance programs, including AFDC, housing assistance, and food stamps:

H.R. 695, Representative Arlan Stangeland (R-Minnesota), January 6, 1983;

H.R. 1022, Representative Daniel B. Crane (R-Illinois), January 27, 1983; and

H.R. 2422, Representative Donald J. Albosta (D-Michigan), April 7, 1983.

Bills were introduced to change the household definition to provide a more favorable definition for the elderly:

H.R. 664, Representative Edward Roybal (D-California), January 6, 1983; and

H.R. 2854, Representative Edward Roybal (D-California), May 2, 1983.

Representative Joseph P. Addabbo (D-New York) introduced H.R. 759 on January 25, 1983, to exclude from counting as income in various programs the cost-of-living increases that had been made in Social Security benefits since 1974.

Representative Ron Marlenee (R-Montana) introduced H.R. 1809 on March 2, 1983, to establish penalties for certain welfare fraud offenses, including fraud involving food stamps.

Bills encompassing the Reagan administration's recommendations were introduced:

S. 1208, Senator Jesse Helms (R-North Carolina), May 4, 1983; and

H.R. 3089, Representative Edward R. Madigan (R-Illinois), May 23, 1983.

Senator Jesse Helms (R-North Carolina) and three cosponsors, introduced S. 1279 on May 12, 1983, to permit States to receive a low-income nutrition assistance block grant in lieu of operating the Federal Food Stamp Program.

Other comprehensive food stamp bills that were introduced included:

S. 1727, Senators James McClure (R-Idaho), Jake Garn (R-Utah), and William L. Armstrong (R-Colorado), August 2, 1983; and

S. 1993, Senator Jesse Helms (R-North Carolina), October 25, 1983.

Representative James H. Quillen (R-Tennessee) introduced H.R. 3092 on May 23, 1983, to increase the number of blind and disabled persons living together who may constitute a group-living situation for purposes of eligibility for food stamp benefits.

Bills were also introduced to make the monthly reporting and retrospective budgeting requirement (scheduled to take effect as a mandatory provision on October 1, 1983) optional with each State:

H.R. 3557, Representative Jim Moody (D-Wisconsin) with 12 cosponsors, July 13, 1983; and

S. 2016, Senator Edward Zorinsky (D-Nebraska), October 27, 1983.

Representative Mario Biaggi (D-New York), introduced H.R. 3565 on July 14, 1983, to codify in the food stamp statute the regulatory provision that burial plots owned by elderly and disabled recipients and their spouses should not be counted as assets for food stamp purposes.

## 1984

### *1984 overview*

The President's Task Force on Food Assistance made its recommendations with regard to the Food Stamp Program and other food assistance programs.

The House passed legislation, H.R. 5151, intended to enact some of the task force recommendations. The bill also included other proposals, not recommended by the task force, that would increase program costs. The Senate did not act on the bill. By the end of the year, the only task force recommendation that was enacted was that monthly food stamp benefits should be increased to reflect 100 percent of the thrifty food plan, rather than 99 percent as they had been since 1982. This change was accomplished as an amendment to the continuing resolution appropriation bill, Public Law 98-473.

The Congress did enact an expanded income and eligibility verification system, one of the proposals made by the Grace Commission in 1983, in the Deficit Reduction Act (Public Law 98-369).

The administration's fiscal year 1985 legislative proposals, introduced as S. 2925, largely repeated the previous year's recommendations, but were not enacted. These included proposals to institute a Community Work Experience Program, workfare, for able-bodied recipients, to establish categorical eligibility for AFDC households, and to tighten the error rate sanction by providing that each State would have to reimburse the Federal Government for all overissuance errors above 3 percent of benefits issued within the State.

In appropriations action, the Congress passed a supplemental appropriation of $700 million, Public Law 98-396, bringing total fiscal year 1984 costs to $12.4 billion.

The fiscal year 1985 appropriation was set at $12.275 billion, Public Law 98-473.

### *President's Task Force on Food Assistance*

The President's Task Force on Food Assistance completed its review in early January, and made 19 specific recommendations, 9 of which pertained to the Food Stamp Program. The primary recommendation of the task force was that participation in any or all existing Federal food assistance programs, including the Food Stamp Program, should be optional for individual States, so that States could choose to operate a federally financed autonomous food assistance program of their own design to provide for the food needs of low-income Americans. States would have the choice of the optional autonomous, or block grant style, program for each individual program.

For example, States would have the option, under the task force recommendation, of establishing an autonomous food assistance program in lieu of the Federal Food Stamp Program, while continuing to maintain the Federal School Lunch Program. Under the task force recommendation, funding allocations to States that choose to establish an autonomous food assistance program should be made according to a formula that would provide a predictable level of funds that meets the varying needs for food assistance in those States. This formula should be based on existing baseline levels of funding, on changes in food costs, and on the State population in need, for example, as reflected by the rate of unemployment in the State. The task force also recommended that safeguards should be incorporated to ensure that local jurisdictions in those States operating an autonomous food assistance program would not have to bear an increased share of administrative costs.

For those States that continued to operate a Federal Food Stamp Program, the task force made the following additional recommendations:

> Restore the food stamp allotment to 100 percent of the cost of the thrifty food plan;
>
> Raise the asset limits for food stamp eligibility; specifically the task force recommended that the limit be raised to $2,250 for nonelderly households (presently set at $1,500), and $3,500 for households of two or more, one of whom is elderly (currently $3,000). In addition, the exemption for an automobile should be raised to $5,500;
>
> Insure that individuals without fixed home addresses are eligible for participation in the Food Stamp Program;
>
> Cash out food stamp benefits for the disabled and the elderly; or encourage States to permit the elderly and SSI recipients to use food stamps to purchase prepared meals;
>
> Simplify application procedures in the Food Stamp Program; specifically recommended was categorical eligibility for all AFDC and SSI households;
>
> Require States to be fully responsible for overpayment errors in excess of 5 percent. A reward system for States with error rates below this level should also be established;
>
> Encourage States to keep food stamp offices open during some nonbusiness hours, for example from 5 to 9 p.m. on some weekdays or during some hours on Saturday. This can be accomplished by closing offices an equivalent number of hours during regular working hours, thus keeping administrative costs approximately the same; and
>
> Permit States to stagger the delivery of food stamps throughout the month and to adopt administrative procedures to promote staggered distribution by the States.

While there were dissenting votes on some of the individual proposals, the task force report was agreed upon unanimously by its 13 members, and was submitted to the President on January 10, 1984. A joint hearing on the task force's recommendations was held on January 26 by three congressional subcommittees: The Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the House Committee on Agriculture, the Subcommittee on Elementary, Secondary, and Vocational Education of the House Committee on Education and Labor, and the Subcommittee on Nutrition of the Senate Committee on Agriculture, Nutrition, and Forestry. Additionally, other hearings were held which included discussion of the task force proposals.

### *Deficit Reduction Act of 1984*

In early 1984, the Senate Finance Committee began consideration on an omnibus bill to reduce the Federal deficit through a combination of spending reductions and tax increases. As part of the bill, the committee established a comprehensive income and eligibility verification system. Such a system, for Federal means-tested programs, had been recommended by the General Accounting Office and most recently by the President's Private Sector Survey on Cost Control, the Grace Commission.

Under the committee bill, the Internal Revenue Service and the Social Security Administration would be required to make available to Federal and State agencies data on earned and unearned income for use in administering means-tested Federal benefit programs.

The bill established a new income verification system under title XI of the Social Security Act. This system would require that:

All beneficiaries obtain and furnish Social Security numbers;

Programs obtain and utilize, for verification purposes, earned and unearned income data provided by the IRS and Social Security Administration;

Each State maintain a system under which employers make quarterly wage reports to a State agency;

The State must use wage report information for puposes of verifying the eligibility of participants in the programs;

The programs which were to be subject to the proposed income verification system were Aid to Families with Dependent Children, Medicaid, unemployment compensation, and Supplemental Security Income, all of which are under the jurisdiction of the Senate Finance Committee.

The new system was included as section 991, Income and Eligibility Verification Procedures, of H.R. 2163, entitled amendments to the Federal Boat Safety Act.

During Senate consideration of the bill on April 12, the Food Stamp Program was added to the list of Federal programs covered by the new verification system. This proposal was included in an amendment dealing with the maternal and child health program offered by Senator Lloyd Bentsen (D-Texas). The incorporation of the Food Stamp Program had been worked out with Senator Robert Dole (R-Kansas), chairman of the Finance Committee, and Senator Jesse Helms (R-North Carolina), chairman of the Agriculture Committee. The amendment was adopted by voice vote.

In his remarks on the subject, Senator Helms stressed the importance of the verification system:

> The difficulty with both income and assets is that welfare agencies can confirm information that is provided with little difficulty. A call to an employer to substantiate employment and salary can be achieved. It is, however, quite difficult to find

**information which is omitted—either deliberately or inadvertently—by applicants or recipients. Some officials have indicated that, without automation, detecting such information is like looking for the proverbial needle in the haystack.**

The text of H.R. 2163 and additional amendments were added to H.R. 4170 and passed the Senate on May 17, 1984. The House contained a somewhat similar proposal in its bill, but without including the Food Stamp Program.

In a subsequent House-Senate conference on H.R. 4170, the conferees agreed to include the Food Stamp Program as one of the means tested programs subject to the income verification system. Minor modifications were made in the Senate's provision. The new income verification system thus was included in the conference report, adopted June 23 by votes of 268 to 155 in the House and 83 to 15 in the Senate. The income verification system is contained in section 2651 of Public Law 98-369, the Deficit Reduction Act of 1984.

### *Authorizing legislation*

The House Agriculture Committee reported a bill, H.R. 5151, on May 15, 1984, that included some of the task force proposals dealing with the Food Stamp Program. Specifically, the bill included the task force recommendation that monthly benefits reflect 100 percent, rather than 99 percent, of the thrifty food plan. Additionally, the bill strengthened the error rate sanction system by basing the sanction on the amount of acutal program benefits overissued, rather than on a percentage of administrative funding received by the State, as under existing law.

Also included in the bill was the task force recommendation with respect to raising the value of assets which could be owned by food stamp recipients, including an increase in the value of automobiles. The bill also included provisions to implement other task force recommendations with regard to eligibility for the homeless and staggering of coupon issuance, and provided for a periodic State assessment of the need to operate food stamp offices during evening and weekend hours to serve recipients.

The House Agriculture Committee bill did not, however, address the primary recommendation of the task force, that of establishing an autonmous food assistance program for all States, essentially an optional block grant, nor did the bill address the proposed cash-out of benefits to the elderly or disabled that was recommended by the task force. (The bill also dealt with nutrition monitoring, another issue raised by the task force.)

The bill also included provisions not recommended by the task force, most of which would serve to increase costs. These provisions included:

Raising food stamp benefits for fiscal year 1986 to 101 percent of the thrifty food plan;

Raising the earned income deduction from 18 to 20 percent; it has been lowered from 20 to 18 percent in the Omnibus Budget Reconciliation Act of 1981;

Increasing the excess shelter/dependent care allowance from a combined maximum of $130 per month to $155 per month;

Making the existing Federal requirement for monthly reporting and retrospective budgeting optional with each State;

Increasing State responsibilities for job search activity for food stamp participants, and to limit the ability of financial institutions to charge a fee to retail stores for the redemption of food stamp coupons; and

Expanding the definition of disabled to include groups not now included.

The bill also proposed to establish a food assistance pilot project in rural Alaska in lieu of the existing Food Stamp Program and to require members of the Secretary's task force on disasters (already established under current law) to be sent to disaster areas as soon as possible after the disaster occurs, to assist in operating the Food Stamp Program in that area.

One cost-saving proposal included in the bill require States to use information on unearned income to verify the income and asset information supplied by program participants. [NOTE.—The error rate sanction change recommended by the task force was also estimated to save tax dollars.] The verification provision was similar to that ultimately included in the Deficit Reduction Act (Public Law 98-369).

The full House considered the bill on July 27 and August 1. When amendments were offered on August 1, Representative Bill Emerson (R-Missouri), proposed an amendment to eliminate the section of the bill making monthly reporting and retrospective budging a State option rather than a Federal requirement. Representative Emerson said that, if the provision were made optional, "There are many States that would simply drop this provision and error rates and the amount of food stamp money spent in error would begin to climb again."

Representative Leon E. Panetta (D-California), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the House Agriculture Committee, defended the optional provision, saying that the existing requirement was a bureaucratic and redtape nightmare that was not working effectively. The Emerson amendment to continue monthly reporting and retrospective budgeting failed on a vote of 120 to 293.

Representative E. Thomas Coleman (R-Missouri), proposed an amendment to eliminate the higher assets test for automobiles included in the committee bill. (The amendment did not change the provisions increasing the overall assests test.) Representative Coleman argued that the provision with regard to automobiles should remain unchanged because the higher limit would permit "cars that are worth more than cars the average Americans are driving today."

[NOTE.—Cars of any value are not counted as household assets if they are used in connection with employment, such as taxi drivers. There is no limit on the number of cars valued below $4,500 that may be owned by a participating household. However, the value of every car above $4,500 is counted toward the overall asset limit, raised by the bill to $2,250 for most households and $3,500 for households containing elderly or disabled members.]

Representative Panetta offered an amendment to the Coleman amendment to provide that the automobile assets test remain at $4,500, but that it be indexed every April 1, up to a maximum of $5,500. Representative Panetta argued that the compromise would recognize that the assets test for vehicles had not been adjusted since 1977.

The Panetta amendment was adopted 282 to 131 as a substitute for the Coleman amendment, and subsequently the Coleman amendment, as amended by Panetta, was adopted 384 to 25.

Representative James M. Jeffords (R-Vermont) proposed an amendment to permit States to offset the value of recovered overissuances against any sanctions, imposed because of error rates, thereby reducing the States' sanctions by the amount of the overissuances. A substitute amendment to the Jeffords amendment to accomplish the same purpose was offered by Representative Panetta and was adopted by voice vote.

Representative Bruce A. Morrison (D-Connecticut) proposed an amendment to expand the medical deduction for the elderly and disabled. Present law provides that medical expenses above $35 per month may be deducted in determining income eligibility and benefit levels. The Morrison amendment provided that the threshhold for deducting medical expenses would be the lesser of $35 or 5 percent of the household's net monthly income (after deductions). The amendment was adopted by voice vote.

Representative Robert S. Walker (R-Pennsylvania) offered an amendment to authorize a State option block grant for the Food Stamp Program, similar to that proposed in S. 1279 by Senator Jesse Helms (R-North Carolina) and recommended by the task force. Representative Walker, who had first proposed a block grant approach in 1980, criticized the committee for not including the block grant option:

> We have heard an awful lot about the recommendations that they made here during the course of debate, but what we have not heard is the fact that the committee has decided to ignore the chief recommendation of the President's task force, that being that we go to a block grant type of approach.
>
> * * * What I propose to do is give the States the option of taking the money for their nutritional services in a block grant, which would then give them the autonomy to administer the programs I think in a far more effective way.

Representative Bill Emerson (R-Missouri) ranking Republican on the subcommittee, indicated his reluctant opposition to the amendment. With the exception of differences on monthly reporting and the counting of automobiles both committee Republicans and Democrats had generally indicated support for the reported bill, without major amendments. While supporting the concept, Representative Emerson indicated that more information was needed and that public hearings were needed before the House would act on a matter so controversial as optional block grants for the Food Stamp Program.

The amendment was defeated by voice vote. The House then approved the bill, as amended, by 364 to 39.

No action was taken in the Senate on H.R. 5151 or other food stamp authorizing legislation, although part of the thrifty food plan was incorporated later in the continuing resolution appropriations bill. Additionally, the Senate made the Food Stamp Program subject to a comprehensive income and eligibility verification system established for several Federal programs, as previously described.

### *Fiscal year 1984 supplemental appropriations*

Supplemental funding for the Food Stamp Program for fiscal year 1984 was included in the second supplemental appropriations bill, H.R. 6040, reported from the House Appropriations Committee on July 26. The Reagan administration initially asked for a $308 million supplemental when the President's budget was released. However, by the time the House Appropriations Committee considered the supplemental, the estimate for full year program funding had risen to $700 million, which was the amount recommended by the committee in H.R. 6040.

The bill was considered by the full House on August 1, 1984. The House defeated, 184 to 238, an amendment by Representative Robert S. Walker (R-Pennsylvania) to reduce all appropriations in the bill by 1 percent. No amendments dealing with food stamp appropriations were offered, and the bill passed 304 to 116.

The Senate Appropriations Committee recommended the same amount for food stamps which was included in the Senate's version of the bill, which was considered on August 7-8. The bill passed the Senate 62 to 32 on August 8.

The conferees from the Senate and House Appropriations Committee agreed on the $700 million funding figure, which became part of the conference report that passed the House on August 10 by a vote of 312 to 85 and the Senate later the same day by voice vote. When the President approved this measure, the $700 million food stamp appropriation became part of Public Law 98-396. The fiscal year 1984 supplemental was the 14th supplemental appropriation for the Food Stamp Program; 9 of the past 10 fiscal years had required a supplemental food stamp appropriation.

### *Fiscal year 1985 agriculture appropriations*

In its consideration of the fiscal year 1985 agriculture appropriations bill, H.R. 5743, the House Appropriations Committee again proposed, for the fourth consecutive year, that appropriations for the Food Stamp Program be predicated on partial year funding, in this case $10.8 billion, to last through September 7, 1985. An additional $825 million, for a total of $11.6 billion, was appropriated specifically for the Puerto Rico block grant. The committee projected that an additional $374 million would be needed to fund the Food Stamp Program for the full fiscal year.

The full House considered the bill, H.R. 5743, on June 6, 1984. During consideration, Representative William E. Dannemeyer (R-California) proposed an amendment to reduce appropriations in the bill by $24 million, reflecting savings that could be achieved within the Department of Agriculture from the implementation of certain Grace Commission recommendations. These recommendations could be accomplished administratively, according to the Grace Commission report for the Department of Agriculture. One of the Grace Commission reforms was to reduce the cost of printing food stamp coupons, a change estimated by the Commission to save $30 million over 3 years. This change represented $1.4 million of the $24 million in the Dannemeyer amendment. The amendment was rejected 153 to 232.

Much of the debate on the funding for food stamps focused on complaints that the partial year funding provided in the bill (for child nutrition as well as food stamps) disguised higher spending than that proposed by the administration.

Subsequently, Representative Robert S. Walker (R-Pennsylvania) proposed an amendment to reduce all appropriations in the bill, including the food stamp appropriation, by 1 percent. Representative David Obey (D-Wisconsin) proposed to modify the Walker amendment by reducing all appropriations by 64 percent. The Obey amendment was defeated 6 to 388. The Walker 1-percent amendment was then adopted 232 to 164, and the bill passed by voice vote.

The Senate Appropriations Committee disagreed with the partial year funding approach taken in the House bill (as it had in 1982 for fiscal year 1983), and provided $11.45 billion for the full year and an additional $825 million for Puerto Rico, for a total of $12.3 billion. The full year funding was a part of the bill that passed the Senate, 71 to 11 on August 10.

The conferees reached a compromise on the partial year funding issue. Conferees provided $825 million for Puerto Rico and $11.45 billion for the full year, the amount provided in the Senate bill. However, $652 million, the difference between the House and Senate versions, was to be available only to the extent an official budget request is transmitted to the Congress from the administration.

The conference report on H.R. 5743 was never acted upon separately however. Rather, the funding levels established in the conference were included in several short (2- and 3-day) continuing resolutions, prior to final Senate passage of the fifth and final continuing resolution, House Joint Resolution 648, on October 11, Public Law 98-473.

The four interim funding bills were passed while Congress worked out the details of House Joint Resolution 648, which was passed just prior to adjournment for the November elections. The first measure (H.J. Res. 653) was passed October 1, Public Law 98-441. The second, House Joint Resolution 656 was passed October 4, Public Law 98-453. The third, House Joint Resolution 659 was passed October 5, Public Law 98-461. The fourth, House Joint Resolution 663, was passed October 9, Public Law 98-461.

When House Joint Resolution 648 was considered by the full House on September 25, Representative Leon E. Panetta (D-California), chairman of the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the House Agriculture Committee, proposed an amendment to restore the basis of monthly food stamp benefits to 100 percent of the thrifty food plan. Under the Panetta amendment, the adjustment would take place November 1, 1984, and be in effect for the remainder of fiscal year 1985. [NOTE.—Existing law provided that effective October 1, 1985, the adjustment was to revert to 100 percent, rather than 99 percent of the thrifty food plan. The 99-percent level had been established in the Omnibus Budget Reconciliation Act of 1982, Public Law 97-253.] Representative Panetta indicated that the change would provide from $1 to $3 per month more for most food stamp households. Representative Panetta stressed that the proposal for the increase had been made by the President's Task Force on Food Assistance. The amendment was adopted by voice vote.

The Senate Appropriations Committee included an identical provision in its recommendations, based on an amendment by Senator Alfonse D'Amato (R-New York).

During Senate consideration of the continuing resolution on October 4, Senator Jesse Helms (R-North Carolina) observed that the inclusion of the thrifty food plan provision, without other reforms recommended by the President's task force, lacked the balance of the original task force recommendations. Said Helms:

> Instead of even a semblance of balance, what we have before us now is a proposal to increase spending by $137 million in fiscal year 1985. No offsetting reductions or improvements, just one large increase. * * *
>
> Proponents * * * have taken, totally out of context, one of perhaps two dozen proposals made by the task force to ram through on this appropriation bill. They do not wish to deal with the total recommendations of the President's task force, only that one provision that most increases spending. They wish to ignore other recommendations to tighten this and other programs.

The change to the thrifty food plan was included in the Senate version of this continuing resolution, which passed on October 4, 1984, by voice vote. This change was included in the final conference report, later adopted by the House on October 10 by division vote of 252 to 60 and in the Senate on October 11 by 78 to 11. The bill became Public Law 98-473.

*Legislation introduced—1984*

In response to the recommendation of the President's Task Force on Food Assistance, Senator Mark Andrews (R-North Dakota) and Senator Edward M. Kennedy (D-Massachusetts) introduced S. Res. 306 on January 23, 1984, to express the sense of the Senate that the nutrition programs should not be subject to a block grant.

Representative Charles Rangel (D-New York) proposed H.R. 4920 on February 23, 1984, to require notification of all food stamp recipients of potential AFDC and SSI eligibility and all of those recipients of potential food stamp eligibility.

Representative Dan L. Burton (R-Indiana) introduced H.R. 5054 on March 7, 1984, to require workfare for able-bodied food stamp recipients.

Comprehensive food stamp legislation introduced in 1984 included:

H.R. 5151, Representative Leon E. Panetta (D-California) and 15 coponsors, March 15, 1984;

S. 2607, Senator Walter Huddleston (D-Kentucky) and four cosponsors, April 30, 1984;

S. 2925, Senator Jesse Helms (R-North Carolina), August 9, 1984; and

S. 3017, Senator Robert Dole (R-Kansas) and nine cosponsors, September 24, 1984.

Senator Jesse Helms (R-North Carolina) introduced S. 2431 with two cosponsors on March 15, 1984, to include food stamp recipients as a targeted group for purposes of the targeted jobs income tax credit.

Representative Ted Weiss (D-New York) introduced H.R. 5180 with 35 cosponsors on March 19, 1984, to establish a separate deduction for dependent care expenses.

Representative Don Young (R-Alaska) introduced H.R. 5181 on March 19, 1984, to establish a block grant for rural areas of Alaska.

Representative Harold E. Ford (D-Tennessee) introduced H.R. 5362 on April 4, 1984, to provide improved verification in Federal assistance programs, including the Food Stamp Program.

Senator Daniel Patrick Moynihan (D-New York) and one cosponsor introduced S. 2637 on May 3, 1984, to create separate dependent care and excess shelter expense deductions and to increase those deductions.

Bills were introduced to establish a pilot project for the redemption of food stamp coupons through uninsured financial institutions:

H.R. 5954, Representative Mario Biaggi (D-New York), June 28, 1984; and

S. 2817, Senator Alfonse M. D'Amato (R-New York), June 28 1984.

Senator Dave Durenberger (R-Minnesota) introduced S. 2954 on August 10, 1984, to prohibit fees or charges on redemption of food stamps at financial institutions.

## RELATION TO THE FOOD (COMMODITY) DISTRIBUTION PROGRAM, INFLATION AND UNEMPLOYMENT

As the Food Stamp Program grew in cost, geographic coverage, and participation, it gradually replaced the older Food (surplus commodity) Distribution Program which had been offering benefits in the form of surplus and price-support commodities since the Depression of the 1930's. Thus, to some extent, some of the costs and participation levels of the Commodity Program were transferred to the new Food Stamp Program as States and localities chose to switch from one method of food aid to the other.

The following table outlines the participation in the Food Stamp versus the Food Distribution Programs between fiscal years 1962 and 1983.

## HISTORICAL DATA RELATING TO FOOD DISTRIBUTION AND FOOD STAMP PROGRAMS, 1962–83

[Data in thousands]

| Fiscal year | Fiscal year end monthly participation | | | Administrative units and project areas [1] | | | Participation as percent of population | Unemployment rate | Annual cost of food distribution [2] benefits | Annual cost of food stamp [3] benefits | Annual total benefit cost | Constant 1967 dollars [4] |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Food distribution | Food stamp | Total | Food distribution | Food stamp | Total | | | | | | |
| 1962 | 6,411 | 141 | 6,552 | [9] 1,741 | 8 | 1,749 | 3.53 | 5.5 | $226,910 | $13,153 | $240,063 | $263,805 |
| 1963 | 5,550 | 358 | 5,908 | [9] 1,765 | 42 | 1,807 | 3.13 | 5.7 | 204,391 | 18,640 | 223,031 | 241,899 |
| 1964 | 5,206 | 360 | 5,566 | [9] 1,812 | 43 | 1,855 | 2.91 | 5.2 | 197,144 | 28,644 | 225,788 | 242,262 |
| 1965 | 4,742 | 633 | 5,375 | [9] 1,864 | 110 | 1,974 | 2.78 | 4.5 | 226,883 | 32,505 | 259,388 | 271,610 |
| 1966 | 3,879 | 1,218 | 5,097 | [9] 1,690 | 324 | 2,014 | 2.61 | 3.8 | 134,060 | 64,813 | 198,873 | 198,278 |
| 1967 | 3,004 | 1,832 | 4,836 | [9] 1,383 | 838 | 2,222 | 2.45 | 3.8 | 101,053 | 105,550 | 206,603 | 206,603 |
| 1968 | 3,214 | 2,420 | 5,634 | [9] 1,388 | 1,027 | 2,415 | 2.83 | 3.6 | 124,016 | 173,142 | 297,158 | 287,944 |
| 1969 | 3,539 | 3,222 | 6,761 | [9] 1,185 | 1,489 | 2,674 | 3.36 | 3.5 | 224,939 | 228,819 | 453,758 | 419,370 |
| 1970 | 3,977 | 6,457 | 10,434 | [9] 1,351 | 1,747 | 3,098 | 5.12 | 4.9 | 289,423 | 549,664 | 839,087 | 737,983 |
| 1971 | 3,642 | 10,549 | 14,191 | [9] 1,223 | 2,027 | 3,250 | 6.88 | 5.9 | 321,197 | 1,523,749 | 1,844,946 | 1,585,005 |
| 1972 | 3,002 | 11,594 | 14,596 | [9] 1,089 | 2,126 | 3,215 | 7.01 | 5.6 | 311,508 | 1,797,286 | 2,108,794 | 1,734,206 |
| 1973 | 2,441 | 12,107 | 14,548 | [9] 977 | 2,228 | 3,205 | 6.93 | 4.9 | 254,705 | 2,131,405 | 2,386,110 | 1,687,489 |
| 1974 | 1,406 | 13,524 | 14,930 | [9] 388 | 2,818 | 3,206 | 7.05 | 5.6 | 204,505 | 2,718,296 | 2,922,801 | 1,799,754 |
| 1975 | 88 | 19,238 | 19,326 | [9] 39 | 3,046 | 3,085 | 8.92 | 7.3 | 37,517 | 4,404,893 | 4,442,401 | 2,526,963 |
| 1976 | 79 | 17,971 | 18,050 | [9] 42 | 3,035 | 3,077 | 8.27 | 8.0 | 18,163 | 5,326,505 | 5,344,668 | 2,977,531 |
| 1977 | 84 | 16,097 | 16,181 | [9] 45 | 3,035 | 3,080 | 7.36 | 7.3 | 11,470 | 5,066,950 | 5,078,420 | 2,670,042 |
| 1978 | 76 | 15,270 | 15,346 | [9] 45 | 3,037 | 3,082 | 6.92 | 6.2 | 12,195 | 5,139,216 | 5,151,411 | 2,450,719 |
| 1979 | 105 | 19,296 | 19,401 | [9] 41 | 2,950 | 2,991 | 8.68 | 5.8 | 34,336 | 6,478,066 | 6,512,402 | 2,796,222 |
| 1980 | 91 | 21,992 | 22,083 | [9] 34 | 2,922 | 2,996 | 9.78 | 6.8 | 34,322 | 8,685,505 | 8,719,827 | 3,467,128 |
| 1981 | 88 | 22,431 | 22,519 | [9] 83 | [11] 2,924 | [11] 3,007 | 9.68 | 7.4 | 93,656 | 10,629,913 | 10,723,569 | 3,973,164 |
| 1982 [12] | 91 | 21,719 | 21,810 | [9] 83 | 2,924 | 3,007 | 9.08 | 9.1 | 22,549 | 10,208,309 | 10,230,858 | 3,664,347 |
| 1983 [12] | 102 | 21,630 | 21,732 | [9] 101 | [11] 2,924 | [13] 3,025 | 9.24 | 10.1 | 23,201 | 11,155,071 | 11,178,272 | 3,961,117 |

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[1] Administrative units in food distribution (FD) or project areas in food stamp (FS) represent counties, cities, and Indian agencies.

[2] The fiscal 1983 average Federal cost of food per person for this program was $19.56, excluding administrative costs. The 1964 cost was $2.96 per person.

[3] The fiscal 1983 average Federal bonus cost per person for this program was $42.98, excluding administrative costs. The 1964 cost was $6.41 per person.

[4] "Constant dollar" figures use CPI, food at home as deflator.

[5] States and District of Columbia.

[6] States, District of Columbia and outlying areas.

[7] States and outlying areas (no District of Columbia).

[8] States only.

[9] Administrative units in food distribution.

[10] The Food Stamp Program began operations in June 1961.

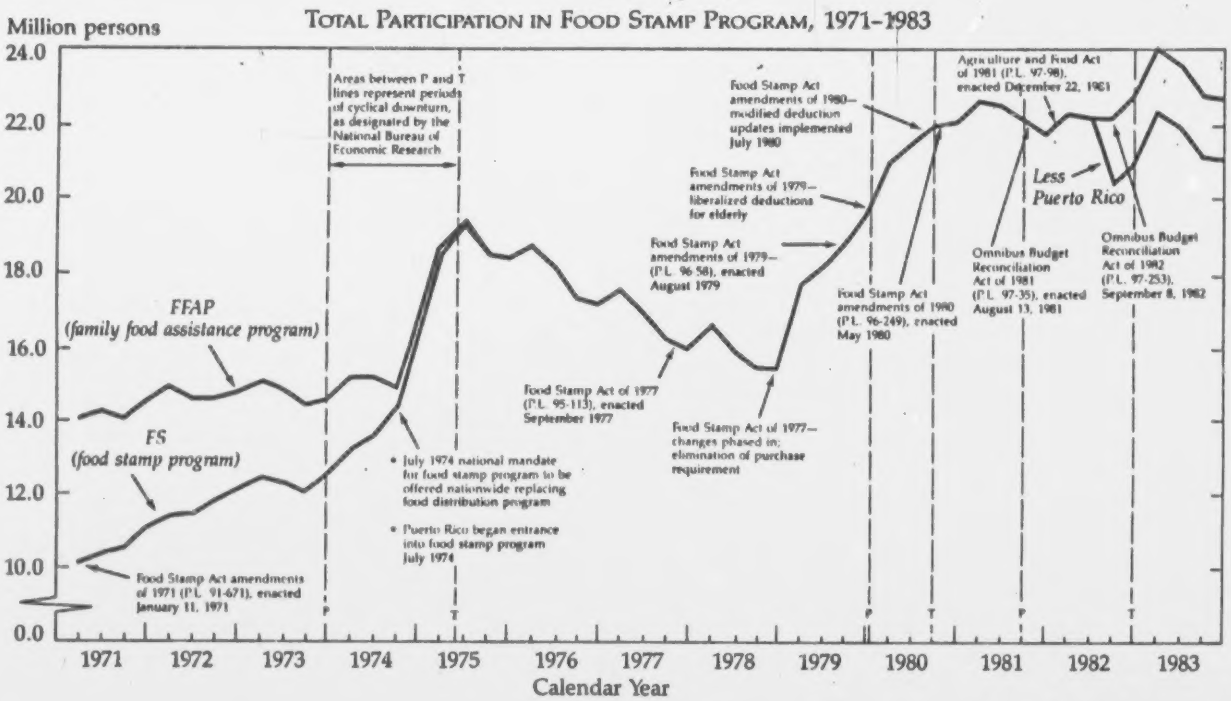
[11] The participation increase in fiscal year 1975 is partly attributable to 2 factors: the transition from food distribution to food stamp in Puerto Rico and the rise in unemployment. If Puerto Rico's 1,524,000 participation is excluded, the percent of population is reduced to 8.33 percent.

[12] Excludes Puerto Rico Block Grant; year end participation in Puerto Rico was 1.64 million in fiscal year 1982 and 1.55 million in 1983. Benefit costs under the block grant were $200.4 million in 1982 and $777.8 in 1983.

[13] Estimated.

Source: U.S. Department of Agriculture.

The following graph traces the participation in the Food Stamp Program between 1971-83:



Source: Data provided by U, S, Department of Agriculture; graph by G. William Hoagland, "Perception and Reality in Nutrition Programs", Maintaining the Safety Net: Income Redistribution Programs in the Reagan Administration. Washington, D. C.: American Enterprise Institute for Public Policy Research (1984): 56.-

When the Food Stamp Act was first enacted in 1964, the Commodity Distribution Program was serving some 5.2 million persons per month in about 1,800 localities, at a Federal assistance valued at $227 million annually. The value of average benefits (in the form of a package of commodities) was half that in the Food Stamp Program, about $3 to $4 per person per month.

By the end of fiscal year 1970, participation in the Commodity Program had dropped to 4 million persons in about 1,350 localities. However, Federal costs associated with the commodity distribution had risen to some $290 million annually as the value of monthly benefits doubled by virtue of an increase in the amount of commodities furnished to each family each month.

Thus, while food stamp participation grew by roughly 5.8 million persons between the end of fiscal years 1965 and 1970, and actual food stamp costs grew about $517 million (partly due to increased benefits), the Commodity Program lost some 765,000 participants and increased in benefit cost by about $63 million (due to increased benefits). Geographic coverage of the Food Stamp Program grew by some 1,600 counties between 1965 and 1970, while the number of localities operating a Commodity Distribution Program dropped by 500. Over 1,000 counties with no previous food assistance program opted to participate in the Food Stamp Program.

Costs in the Food Stamp Program increased dramatically in the early 1970's, partially as a result of the new indexing of benefits. Food price inflation rose to an annual rate of over 16 percent in the first half of 1973; from the last half of 1973 to mid-1975, food prices rose by another 25 percent.

Moderated food price inflation (and a reduction in the degree of indexing) in the early 1980's has contributed to the reduced rate of increase in overall costs. Changes were also made to restrain program growth in 1980, 1981, and 1982. While some previous changes had also been intended to reduce the scope of the program, the changes enacted in these years appear to have had the most dramatic effect in actually slowing the cost of the program.

The following table outlines the changes in the maximum monthly allotments since indexing of those allotments was begun in 1971:

CHANGES IN FOOD STAMP ALLOTMENTS AND BENEFITS, 1971–85

| Calendar years and months | 4-person maximum monthly allotment | | Per person average monthly benefits | |
|---|---|---|---|---|
| | Amount | Percent change [2] | Amount [1] | Percent change [3] |
| 1971: July to December | $108 | (4) | $13.36 | (4) |
| 1972: | | | | |
| January to June | 108 | | 13.59 | 1.7 |
| July to December | 112 | 3.7 | 14.65 | 7.8 |
| 1973: | | | | |
| January to June | 112 | | 14.56 | (–.0) |
| July to December | 116 | 3.6 | 15.28 | 4.9 |
| 1974: | | | | |
| January to June | 142 | 22.4 | 19.74 | 29.2 |
| July to December | 150 | 5.6 | 20.84 | 4.5 |
| 1975: | | | | |
| January to June | 154 | 2.7 | 21.87 | 4.9 |
| July to December | 162 | 5.2 | 23.23 | 6.2 |

## CHANGES IN FOOD STAMP ALLOTMENTS AND BENEFITS, 1971–85—Continued

| Calendar years and months | 4-person maximum monthly allotment | | Per person average monthly benefits | |
|---|---|---|---|---|
| | Amount | Percent change [2] | Amount [1] | Percent change [2] |
| 1976: | | | | |
| January to June | 166 | 2.5 | 24.62 | 6.0 |
| July to December | 166 | | 24.40 | (−.9) |
| 1977: | | | | |
| January to June | 166 | | 24.61 | .9 |
| July to December | 170 | 2.4 | 25.27 | 2.7 |
| 1978: | | | | |
| January to June | 174 | 2.4 | 26.88 | 6.4 |
| July to December | 182 | 4.6 | 28.14 | 4.7 |
| 1979: | | | | |
| January to June | 191 | 4.9 | 30.12 | 7.0 |
| July to December | 204 | 6.8 | 33.19 | 10.2 |
| 1980: | | | | |
| January to June | 209 | 2.5 | 35.02 | 5.5 |
| July to December | 209 | | 34.55 | (−1.3) |
| 1981: January to December | 233 | 11.5 | 40.84 | 18.2 |
| 1982–83: January to September (1982) [3] | 233 | | 39.05 | (−4.4) |
| October (1982) to September (1983) | 253 | 8.6 | 42.97 | 10.0 |
| 1983–84: October (1983) to September (1984) [3] | 253 | | 42.77 | (−.5) |
| October (1984) | 261 | 3.2 | 45.03 | 5.3 |
| 1984–85: November (1984) to September (1985) [3] | 264 | 1.1 | (5) | (5) |

[1] Average over period.
[2] Percent change over/(under) preceding period.
[3] Excludes Puerto Rico; previously included.
[4] Not applicable.
[5] Not available.

The program has historically been viewed as countercyclical, that is, that it responds to overall economic circumstances, particularly to unemployment. At times, changes in unemployment have not corresponded precisely to changes in participation; changes in the Food Stamp Program typically lag behind changes in the unemployment rate.

## UNEMPLOYMENT RATE AND FOOD STAMP MONTHLY PARTICIPATION, 1979–84

[Excluding Puerto Rico]

| | Unemployment rate (in percent) | Food stamp participation (in millions of recipients) |
|---|---|---|
| 1979: | | |
| January | 5.8 | 15.6 |
| February | 5.7 | 16.1 |
| March | 5.7 | 16.6 |
| April | 5.8 | 16.7 |
| May | 5.8 | 16.6 |
| June | 5.7 | 16.5 |
| July | 5.7 | 16.6 |
| August | 5.9 | 17.1 |
| September | 5.8 | 17.5 |
| October | 5.9 | 17.5 |
| November | 5.8 | 17.7 |
| December | 5.9 | 18.2 |
| 1980: | | |
| January | 6.2 | 18.6 |
| February | 6.0 | 19.3 |
| March | 6.3 | 19.6 |
| April | 6.9 | 19.7 |
| May | 7.6 | 19.6 |

## UNEMPLOYMENT RATE AND FOOD STAMP MONTHLY PARTICIPATION, 1979-84—Continued

[Excluding Puerto Rico]

| | Unemployment rate (in percent) | Food stamp participation (in millions of recipients) |
|---|---|---|
| June | 7.5 | 19.7 |
| July | 7.6 | 20.0 |
| August | 7.6 | 20.2 |
| September | 7.4 | 20.1 |
| October | 7.6 | 20.4 |
| November | 7.5 | 20.0 |
| December | 7.4 | 20.4 |
| 1981: | | |
| January | 7.2 | 20.6 |
| February | 7.5 | 21.0 |
| March | 7.4 | 21.2 |
| April | 7.2 | 21.0 |
| May | 7.4 | 20.8 |
| June | 7.4 | 20.7 |
| July | 7.3 | 20.4 |
| August | 7.4 | 20.4 |
| September | 7.6 | 20.3 |
| October | 7.9 | 20.0 |
| November | 8.3 | 20.0 |
| December | 8.5 | 20.2 |
| 1982: | | |
| January | 8.6 | 20.2 |
| February | 8.9 | 20.5 |
| March | 9.0 | 20.9 |
| April | 9.4 | 20.6 |
| May | 9.4 | 20.3 |
| June | 9.5 | 20.3 |
| July | 9.9 | 20.3 |
| August | 9.9 | 20.5 |
| September | 10.2 | 20.5 |
| October | 10.4 | 20.7 |
| November | 10.7 | 21.1 |
| December | 10.7 | 21.8 |
| 1983: | | |
| January | 10.4 | 22.1 |
| February | 10.4 | 22.3 |
| March | 10.3 | 22.6 |
| April | 10.2 | 22.2 |
| May | 10.1 | 21.9 |
| June | 10.0 | 21.5 |
| July | 9.5 | 21.2 |
| August | 9.5 | 21.1 |
| September | 9.2 | 21.1 |
| October | 8.8 | 20.9 |
| November | 8.4 | 21.0 |
| December | 8.2 | 21.2 |
| 1984: | | |
| January | 8.0 | 21.1 |
| February | 7.8 | 21.5 |
| March | 7.8 | 21.8 |
| April | 7.8 | 21.2 |
| May | 7.5 | 21.0 |
| June | 7.1 | 20.7 |
| July | 7.5 | 20.2 |
| August | 7.5 | 20.1 |
| September | 7.4 | 19.8 |
| October | 7.4 | 19.7 |

Total monthly participation in the Food Stamp Program since its establishment in 1961 is shown in the accompanying table. The table also shows the average benefit per person per month.

FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961–82

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| 1961: June | 49,640 | $7.68 |
| 1962: | | |
| July | 133,421 | 7.00 |
| August | 141,944 | 7.77 |
| September | 137,767 | 7.49 |
| October | 135,407 | 7.80 |
| November | 140,394 | 7.71 |
| December | 143,753 | 7.70 |
| January | 146,079 | 7.84 |
| February | 146,267 | 7.58 |
| March | 150,678 | 7.91 |
| April | 151,026 | 7.63 |
| May | 146,330 | 7.91 |
| June | 140,736 | 7.69 |
| 1962 average | 142,817 | 7.67 |
| 1963: | | |
| July | 137,240 | 7.98 |
| August | 135,756 | 8.21 |
| September | 131,811 | 6.93 |
| October | 145,343 | 7.53 |
| November | 160,686 | 7.22 |
| December | 187,691 | 6.96 |
| January | 214,298 | 6.76 |
| February | 226,305 | 6.60 |
| March | 323,186 | 6.64 |
| April | 327,752 | 6.61 |
| May | 359,088 | 6.63 |
| June | 358,062 | 6.47 |
| 1963 average | 225,602 | 6.89 |
| 1964: | | |
| July | 358,203 | 6.56 |
| August | 355,505 | 6.56 |
| September | 347,819 | 6.44 |
| October | 348,845 | 6.57 |
| November | 352,340 | 6.50 |
| December | 366,974 | 6.52 |
| January | 379,407 | 6.53 |
| February | 386,255 | 6.50 |
| March | 392,442 | 6.52 |
| April | 381,947 | 6.51 |
| May | 371,795 | 6.46 |
| June | 360,255 | 6.43 |
| 1964 average | 366,816 | 6.51 |
| 1965: | | |
| July | 352,852 | 6.48 |
| August | 350,550 | 6.38 |
| September | 344,164 | 6.41 |
| October | 344,587 | 6.38 |
| November | 348,952 | 6.35 |
| December | 354,766 | 6.39 |
| January | 357,443 | 6.29 |

## FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961–82—Continued

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| February | 385,959 | $6.34 |
| March | 442,359 | 6.58 |
| April | 561,261 | 6.40 |
| May | 620,238 | 6.29 |
| June | 632,687 | 6.30 |
| 1965 average | 424,652 | 6.38 |
| 1966: | | |
| July | 639,534 | 6.29 |
| August | 645,947 | 6.34 |
| September | 640,953 | 6.33 |
| October | 656,861 | 6.37 |
| November | 716,563 | 6.38 |
| December | 791,826 | 6.38 |
| January | 830,476 | 6.43 |
| February | 962,879 | 6.22 |
| March | 1,037,403 | 6.21 |
| April | 1,043,477 | 6.15 |
| May | 1,187,812 | 6.09 |
| June | 1,218,399 | 6.07 |
| 1966 average | 864,344 | 6.25 |
| 1967: | | |
| July | 1,179,753 | 6.06 |
| August | 1,205,809 | 6.08 |
| September | 1,182,901 | 6.08 |
| October | 1,202,611 | 6.06 |
| November | 1,236,468 | 6.10 |
| December | 1,346,890 | 6.07 |
| January | 1,436,613 | 6.13 |
| February | 1,557,237 | 6.14 |
| March | 1,703,304 | 6.10 |
| April | 1,708,831 | 6.05 |
| May | 1,772,864 | 6.06 |
| June | 1,831,888 | 6.03 |
| 1967 average | 1,447,097 | 6.08 |
| 1968: | | |
| July | 1,814,702 | 6.07 |
| August | 1,908,507 | 6.35 |
| September | 1,962,373 | 6.37 |
| October | 2,107,635 | 6.67 |
| November | 2,184,685 | 6.60 |
| December | 2,196,834 | 6.50 |
| January | 2,241,678 | 6.59 |
| February | 2,312,977 | 6.63 |
| March | 2,424,691 | 6.73 |
| April | 2,475,431 | 6.71 |
| May | 2,488,549 | 6.58 |
| June | 2,401,503 | 6.40 |
| 1968 average | 2,209,964 | 6.53 |
| 1969: | | |
| July | 2,472,921 | 6.59 |
| August | 2,613,458 | 6.79 |
| September | 2,607,571 | 6.53 |
| October | 2,657,938 | 6.43 |
| November | 2,665,809 | 6.40 |
| December | 2,827,526 | 6.52 |
| January | 2,866,558 | 6.47 |

## FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961–82—Continued

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| February | 3,015,663 | $6.86 |
| March | 3,178,650 | 6.80 |
| April | 3,214,637 | 6.71 |
| May | 3,194,412 | 6.61 |
| June | 3,222,212 | 6.70 |
| 1969 average | 2,878,113 | 6.63 |
| 1970: | | |
| July | 3,315,207 | 6.79 |
| August | 3,344,570 | 6.67 |
| September | 3,412,911 | 6.78 |
| October | 3,441,883 | 6.67 |
| November | 3,490,950 | 6.69 |
| December | 3,647,284 | 6.72 |
| January | 3,796,547 | 7.08 |
| February | 4,405,420 | 12.48 |
| March | 5,074,674 | 13.96 |
| April | 5,630,748 | 14.23 |
| May | 6,062,829 | 14.26 |
| June | 6,457,342 | 14.19 |
| 1970 average | 4,340,030 | 10.55 |
| 1971: | | |
| July | 6,961,664 | 14.14 |
| August | 7,000,831 | 14.02 |
| September | 8,405,462 | 14.00 |
| October | 8,891,451 | 13.51 |
| November | 9,450,992 | 13.41 |
| December | 9,724,865 | 13.36 |
| January | 9,738,671 | 13.41 |
| February | 10,174,485 | 13.45 |
| March | 10,631,904 | 13.55 |
| April | 10,467,109 | 13.42 |
| May | 10,418,799 | 13.37 |
| June | 10,548,660 | 13.31 |
| 1971 average | 9,367,908 | 13.55 |
| 1972: | | |
| July | 10,421,873 | 13.33 |
| August | 10,662,195 | 13.42 |
| September | 10,609,573 | 13.32 |
| October | 10,663,524 | 13.24 |
| November | 11,128,828 | 13.50 |
| December | 11,294,937 | 13.38 |
| January | 11,142,213 | 13.65 |
| February | 11,436,582 | 13.48 |
| March | 11,514,465 | 13.54 |
| April | 11,292,700 | 13.66 |
| May | 11,547,910 | 13.69 |
| June | 11,594,091 | 13.73 |
| 1972 average | 11,109,074 | 13.48 |
| 1973: | | |
| July | 11,766,594 | 14.87 |
| August | 11,923,244 | 14.79 |
| September | 11,786,179 | 14.72 |
| October | 11,888,018 | 14.55 |
| November | 12,006,462 | 14.50 |
| December | 12,265,218 | 14.45 |
| January | 12,362,503 | 14.62 |

## FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961–82—Continued

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| February | 12,452,644 | $14.55 |
| March | 12,652,282 | 14.52 |
| April | 12,388,469 | 14.62 |
| May | 12,389,796 | 14.53 |
| June | 12,106,771 | 14.51 |
| 1973 average | 12,165,682 | 14.60 |
| 1974: | | |
| July | 12,026,984 | 15.35 |
| August | 12,190,013 | 15.35 |
| September | 11,931,998 | 15.28 |
| October | 12,334,860 | 15.24 |
| November | 12,550,692 | 15.23 |
| December | 12,647,204 | 15.25 |
| January | 13,063,192 | 19.82 |
| February | 13,149,530 | 20.06 |
| March | 13,548,511 | 20.05 |
| April | 13,711,274 | 19.84 |
| May | 13,659,611 | 19.39 |
| June | 13,524,437 | 19.30 |
| 1974 average | 12,861,526 | 17.61 |
| 1975: | | |
| July | 13,949,049 | 20.78 |
| August | 14,306,354 | 20.70 |
| September | 14,473,855 | 20.64 |
| October | 15,223,777 | 20.68 |
| November | 16,132,660 | 20.98 |
| December | 17,182,938 | 21.28 |
| January | 17,887,020 | 22.12 |
| February | 18,617,398 | 21.82 |
| March | 19,224,514 | 21.89 |
| April | 19,287,101 | 21.82 |
| May | 19,289,100 | 21.74 |
| June | 19,196,589 | 21.82 |
| 1975 average | 17,064,196 | 21.42 |
| 1976: | | |
| July | 18,699,071 | 23.33 |
| August | 18,626,234 | 23.39 |
| September | 18,500,068 | 23.30 |
| October | 18,653,000 | 23.30 |
| November | 18,053,825 | 22.93 |
| December | 19,021,223 | 23.15 |
| January | 18,643,185 | 24.66 |
| February | 18,559,432 | 24.63 |
| March | 19,164,828 | 24.81 |
| April | 18,580,628 | 24.53 |
| May | 18,101,374 | 24.45 |
| June | 17,981,717 | 24.69 |
| 1976 average | 18,548,715 | 23.93 |
| 3d quarter: | | |
| July | 17,372,937 | 24.65 |
| August | 17,494,200 | 24.55 |
| September | 17,060,688 | 24.07 |
| 3d quarter average | 17,309,275 | 24.43 |

## FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961-82—Continued

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| 1977: | | |
| October | 17,025,854 | $24.06 |
| November | 17,170,049 | 24.27 |
| December | 17,510,119 | 24.80 |
| January | 17,352,879 | 24.44 |
| February | 18,376,230 | 25.18 |
| March | 17,758,163 | 24.64 |
| April | 17,321,595 | 24.45 |
| May | 16,971,194 | 24.34 |
| June | 16,661,785 | 24.59 |
| July | 16,146,943 | 25.16 |
| August | 16,496,940 | 25.69 |
| September | 16,134,044 | 25.14 |
| 1977 average | 17,077,149 | 24.73 |
| 1978: | | |
| October | 15,905,609 | 25.12 |
| November | 15,966,834 | 25.19 |
| December | 16,137,348 | 25.35 |
| January | 16,311,293 | 26.65 |
| February | 16,916,445 | 26.66 |
| March | 16,863,866 | 27.60 |
| April | 16,192,076 | 26.74 |
| May | 15,872,950 | 26.91 |
| June | 15,618,273 | 26.72 |
| July | 15,426,103 | 28.15 |
| August | 15,551,592 | 28.36 |
| September | 15,247,636 | 27.83 |
| 1978 average | 16,000,835 | 26.77 |
| 1979: | | |
| October | 15,323,671 | 28.11 |
| November | 15,408,456 | 28.35 |
| December | 15,798,582 | 28.04 |
| January | 17,322,114 | 30.28 |
| February | 17,900,971 | 30.09 |
| March | 18,369,271 | 29.61 |
| April | 18,465,132 | 30.14 |
| May | 18,362,389 | 30.12 |
| June | 18,255,269 | 30.47 |
| July | 18,394,616 | 33.57 |
| August | 18,911,174 | 33.68 |
| September | 19,323,029 | 33.25 |
| 1979 average | 17,652,890 | 30.59 |
| 1980: | | |
| October | 19,359,001 | 32.88 |
| November | 19,587,139 | 32.76 |
| December | 20,068,698 | 33.01 |
| January | 20,421,092 | 35.19 |
| February | 21,210,533 | 35.22 |
| March | 21,528,632 | 35.24 |
| April | 21,610,558 | 34.90 |
| May | 21,527,178 | 34.80 |
| June | 21,640,264 | 34.87 |
| July | 21,853,649 | 34.55 |
| August | 22,055,176 | 34.53 |
| September | 21,989,734 | 33.91 |
| 1980 average | 21,070,971 | 34.35 |

## FOOD STAMP PROGRAM SUMMARY OF OPERATIONS, BY MONTH, FISCAL YEARS 1961-82—Continued

| Fiscal year and month | Persons participating | Average bonus (benefit) per person |
|---|---|---|
| 1981: | | |
| October | 22,215,461 | $33.97 |
| November | 21,876,657 | 33.92 |
| December | 22,205,217 | 34.33 |
| January | 22,459,001 | 41.72 |
| February | 22,828,126 | 41.78 |
| March | 22,978,213 | 42.01 |
| April | 22,824,667 | 41.50 |
| May | 22,617,474 | 41.39 |
| June | 22,508,339 | 41.47 |
| July | 22,244,354 | 40.88 |
| August | 22,248,081 | 40.42 |
| September | 22,161,149 | 40.12 |
| 1981 average | 22,430,562 | 39.49 |
| 1982: | | |
| October | 21,893,351 | 39.79 |
| November | 21,750,025 | 39.33 |
| December | 21,934,012 | 39.67 |
| January | 22,018,099 | 39.20 |
| February | 22,322,188 | 39.71 |
| March | 22,697,551 | 39.55 |
| April | 22,382,845 | 39.20 |
| May | 22,185,579 | 38.84 |
| June | 22,155,963 | 38.92 |
| July | 21,964,243 | 38.46 |
| August | 22,158,189 | 38.61 |
| September | 22,138,845 | 38.99 |
| 1982 average [1] | 22,133,408 | 39.19 |
| Puerto Rico average | 1,778,271 | 40.79 |
| 1982 [2] | 20,355,136 | 39.05 |

[1] Includes Puerto Rico.
[2] Excludes Puerto Rico.

Source: U.S. Department of Agriculture.

A Puerto Rico nutrition assistance block grant was established in July 1982. Participation and benefit costs for the program (excluding Puerto Rico) are shown in the following table:

## PARTICIPATION IN THE FOOD STAMP PROGRAM, JULY 1982 TO DECEMBER 1984

[Excluding Puerto Rico]

| Fiscal year | Participation | Average bonus (benefit) per person |
|---|---|---|
| 1982: | | |
| July | 20,271,238 | $38.46 |
| August | 20,489,983 | 38.61 |
| September | 20,493,257 | 38.99 |
| 1983: | | |
| October | 20,701,000 | 43.33 |
| November | 21,050,000 | 43.44 |
| December | 21,719,000 | 43.89 |
| January | 22,104,000 | 43.45 |
| February | 22,291,000 | 43.66 |
| March | 22,607,000 | 43.58 |
| April | 22,175,000 | 43.05 |
| May | 21,859,000 | 42.53 |

### PARTICIPATION IN THE FOOD STAMP PROGRAM, JULY 1982 TO DECEMBER 1984—Continued

[Excluding Puerto Rico]

| Fiscal year | Participation | Average bonus (benefit) per person |
|---|---|---|
| June | 21,512,000 | $42.31 |
| July | 21,170,000 | 42.26 |
| August | 21,217,000 | 42.20 |
| September | 21,052,000 | 41.91 |
| 1984: | | |
| October | 20,919,031 | 43.12 |
| November | 21,019,660 | 43.11 |
| December | 21,290,909 | 43.25 |
| January | 21,226,850 | 43.07 |
| February | 21,518,109 | 42.84 |
| March | 21,696,897 | 43.03 |
| April | 21,153,561 | 42.95 |
| May | 20,953,582 | 42.35 |
| June | 20,655,767 | 42.28 |
| July | 20,146,764 | 42.43 |
| August | 20,050,598 | 42.39 |
| September | 19,767,694 | 42.39 |
| 1985: | | |
| October | 19,673,000 | 45.03 |
| November | 19,975,000 | 45.03 |
| December | 20,158,000 | 45.26 |

Since the implementation of the Puerto Rico block grant, Puerto Rico is not required to submit data on participation. However, Puerto Rico had provided the following estimates of program participation:

*Participation in the Puerto Rico Nutrition Assistance Program*

| | |
|---|---|
| Fiscal year 1982: | |
| July | 1,689,952 |
| August | 1,655,028 |
| September | 1,637,787 |
| Fiscal year 1983: | |
| October | 1,601,723 |
| November | 1,558,338 |
| December | 1,832,146 |
| January | 1,570,136 |
| February | 1,581,700 |
| March | 1,584,525 |
| April | 1,584,739 |
| May | 1,580,234 |
| June | 1,569,367 |
| July | 1,562,821 |
| August | 1,547,275 |
| September | 1,552,608 |
| Fiscal year 1984: | |
| October | 1,555,143 |
| November | 1,554,971 |
| December | 1,550,913 |
| January | 1,537,142 |
| February | 1,529,544 |
| March | 1,525,667 |
| April | 1,522,549 |
| May | 1,514,457 |
| June | 1,515,281 |
| July | 1,506,317 |
| August | 1,495,001 |
| September | 1,497,344 |
| Fiscal year 1985: October | 1,465,310 |

## AUTHORIZATION CEILINGS AND APPROPRIATIONS

From its inception in fiscal year 1965 through fiscal year 1972, the Food Stamp Program was subject to an authorization ceiling on annual appropriations. On several occasions, this authorization ceiling has been increased over its original limitation as increased participation and costs necessitated increased funding for the program.

In the early years of the program, the authorization ceiling was not changed, and appropriations were often established below the authorization ceiling. The original authorization for fiscal years 1965 through 1968 were not exceeded. In 1965, $75 million was authorized, $60 million appropriated. In fiscal year 1966, $100 million was both authorized and appropriated. In fiscal year 1967 and 1968, the authorization ceiling was $200 million, but appropriations were $140 million and $185 million, respectively. In these early years, appropriations were often not fully expended and were carried over (or reappropriated) for subsequent years.

In the 1967 amendments to the law, the authorization for fiscal year 1969 was fixed at $225 million. In 1968, however, the fiscal year 1969 authorization ceiling was raised to $315 million; fiscal year 1969 marked enactment of the second supplemental appropriation approved for the Food Stamp Program, with a total of $280 million ultimately appropriated.

The fiscal year 1970 authorization ceiling had been set by the 1968 amendments at $340 million, but was raised to $610 million, and the total appropriation was set at that amount.

By the time of the consideration of the 1970 amendments, frustration with the frequency of raising the authorization ceiling and difficulties in estimating appropriate ceilings contributed to the congressional decision to remove the authorization ceilings altogether for fiscal years 1972 and 1973. Subsequently, in 1973, the program was again reauthorized, through fiscal year 1977, without authorization ceilings. Annual appropriations and numerous supplemental appropriations were enacted during this period.

However, during consideration of the reauthorization bill in 1977, Representative Dawson Mathis (D-Georgia) proposed an amendment to reestablish authorization ceilings for the program. The Mathis amendment, which was enacted into law, had three parts: The first made the entire program subject to the availability of funds appropriated. The second authorized specific amounts or authorization ceilings for each fiscal year. The third provided that if the Secretary of Agriculture determined that food stamp allotments would exceed appropriations, the Secretary was to direct the State agencies to reduce the value of allotments to participating households to the extent necessary to remain within the appropriated funds.

The reauthorization ceilings have been continued in all legislation subsequently enacted. The third aspect of the 1977 Mathis amendment was strengthened in 1979 by an amendment proposed by Senator Richard G. Lugar (R-Indiana) which essentially established specific procedures for an effective implementation of the benefit reduction provisions established by the 1977 law. Under the Lugar amendment, the Secretary of Agriculture is to report to the Senate and House Agriculture Committees on the 15th of each month, providing actual Food Stamp Program expenditures for the preceding month and making projections for spending for the remainder of the fiscal year. If the Secretary determines that appropriations will be insufficient for the full fiscal year, he is to notify States within 60 days to begin making benefit reductions in the subsequent months and to notify the House and Senate Agriculture Committees within 7 days on the actions he is taking. The rationale behind the Lugar amendment was that if projections showed excess spending early in the fiscal year, the reductions required to stay within the appropriations would be less severe than if discovered late in the fiscal year. For instance, a 5-percent reduction could be made at the midway point in the year rather than a 10-percent reduction later in the year.

The amendment also provided that reductions would be made in such a way as to have a smaller impact on those with less income rather than simply across the board as provided under the 1977 statute.

Although section 18(b)—the Lugar amendment—remains in the statute, the benefit reduction portion has never been activated. Congress has thus far always decided to increase appropriations for the program rather than permit the Secretary of Agriculture to implement benefit reductions. In essence, although the program is an authorization subject to appropriations, it is quite similar to an entitlement program inasmuch as, in practice, Congress has always fully funded the program as if it were an entitlement.

The following tables summarize the actual appropriations for the Food Stamp Program and those appropriations compared with the authorization ceiling:

## APPROPRIATIONS FOR THE FOOD STAMP PROGRAM

[Dollar amounts in thousands]

| Type of funding | Fiscal year | Amount |
|---|---|---|
| Not included in appropriations legislation. Earmarked from section 32 funds used in funding the pilot food stamp program | 1961 | $3,725 |
| Do | 1962 | 48,900 |
| Do | 1963 | 50,000 |
| Included in regular appropriation legislation earmarking sec. 32 funds for use in funding the pilot food stamp program (H.R. 6754, P.L. 88-250) | 1964 | 45,000 |
| Regular appropriation (earmarked sec. 32 funding) (H.R. 11202, P.L. 88-573) | 1965 | 35,000 |
| Supplemental appropriation (directly appropriated funds) (H.R. 12633, P.L. 88-635) | | 25,000 |
| Total | | 60,000 |
| Regular appropriation (H.R. 8370, P.L. 89-316) | 1966 | 80,000 |
| Reappropriation (H.R. 8370, P.L. 89-316) | | 20,000 |
| Total | | 100,000 |
| Regular appropriation (H.R. 14596, P.L. 89-556) | 1967 | 110,000 |
| Reappropriation (H.R. 14596, P.L. 89-556) | | 30,000 |
| Total | | 140,000 |
| Regular appropriation (H.R. 10590, P.L. 90-113) | 1968 | 161,800 |
| Reappropriation (H.R. 10590, P.L. 90-113) | | 23,200 |
| Total | | 185,000 |

## APPROPRIATIONS FOR THE FOOD STAMP PROGRAM—Continued

[Dollar amounts in thousands]

| Type of funding | Fiscal year | Amount |
|---|---|---|
| Regular appropriation (H.R. 16913, P.L. 90-463) | 1969 | $225,000 |
| Supplemental appropriation (H.R. 20300, P.L. 90-608) | | 55,000 |
| Total | | 280,000 |
| Regular appropriation (H.R. 11612, P.L. 91-127) | 1970 | 610,000 |
| Regular appropriation (H.R. 17923, P.L. 91-566) | 1971 | 1,420,000 |
| Supplemental appropriation (H.R. 8190, P.L. 92-18) | | 250,000 |
| Total | | 1,670,000 |
| Regular appropriation (H.R. 9270, P.L. 92-73) | 1972 | 2,200,000 |
| Regular appropriation (H.R. 15690, P.L. 92-399) | 1973 | 2,500,000 |
| Regular appropriation (H.R. 8619, P.L. 93-135) | 1974 | 2,500,000 |
| Supplemental appropriation (H.R. 14013, P.L. 93-305) | | 500,000 |
| Total | | 3,000,000 |
| Regular appropriation (H.R. 16901, P.L. 93-563) | 1975 | 3,989,785 |
| Supplemental appropriation (H.R. 5899, P.L. 94-32) | | 884,815 |
| Total | | 4,874,600 |
| Regular appropriation (H.R. 8561, P.L. 94-122) | 1976 | [1] 3,453,000 |
| Supplemental appropriation (H.R. 10647, P.L. 94-157) | | 1,750,000 |
| Total | | 5,203,000 |
| Regular appropriation (H.R. 8561, P.L. 94-122) | (4) | 1,039,117 |
| Supplemental appropriation (H.R. 13162, P.L. 94-303) | (4) | 200,000 |
| Total | | 1,239,117 |
| Regular appropriation (H.R. 14237, P.L. 94-351) | 1977 | 4,794,400 |
| Supplemental appropriation (H.R. 4877, P.L. 95-16) | | 720,000 |
| Total | | 5,514,400 |
| Regular appropriation (H.R. 7558, P.L. 95-96) | 1978 | 5,627,000 |
| Regular appropriation (H.R. 13125, P.L. 95-448) | 1979 | 5,779,200 |
| Supplemental appropriation (H.R. 4289, P.L. 96-38) | | 900,000 |
| Total | | 6,679,200 |
| Regular appropriation (H.R. 4387, P.L. 96-108) | 1980 | 6,188,600 |
| Supplemental appropriation (H.J. Res. 545, P.L. 96-243) | | 2,556,174 |
| Supplemental appropriation (H.R. 7542, P.L. 96-304) | | 446,226 |
| Total | | 9,191,000 |
| Regular appropriation (H.R. 7591, P.L. 96-528) | 1981 | 9,739,276 |
| Supplemental appropriation (H.R. 3512, P.L. 97-12) | | 1,740,724 |
| Total | | 11,480,000 |
| Partial year—regular appropriation[*] (H.R. 4119, P.L. 97-103) | 1982 | [2] 10,293,384 |
| Supplemental appropriation (H.R. 6685, P.L. 97-216) | | 1,006,616 |
| Total | | 11,300,000 |
| Regular appropriation (H.R. 7072, P.L. 97-370) | 1983 | 11,640,657 |
| Supplemental appropriation (H.R. 3069, P.L. 98-63) | | 1,189,484 |
| Total | | 12,830,141 |

## APPROPRIATIONS FOR THE FOOD STAMP PROGRAM—Continued

[Dollar amounts in thousands]

| Type of funding | Fiscal year | Amount |
|---|---|---|
| Regular appropriation (H.J. Res. 413, P.L. 98-151) | 1984 | $11,741,705 |
| Supplemental appropriation (H.R. 6040, P.L. 98-151) | | 700,000 |
| Total | | 12,441,705 |
| Regular appropriation (H.J. Res. 648, P.L. 98-473) | 1985 | [3] 12,275,000 |

[1] Partial year: July 1, 1975 to January 31, 1976.

[2] Partial year: October 1, 1981 to August 15, 1982.

[3] $652,427,000 of the $11.45 billion non-Puerto Rico appropriation is to be available only to the extent an official budget request is transmitted to the Congress.

[4] Transition period.

## SUMMARY OF AUTHORIZATION CEILINGS AND APPROPRIATIONS FOR THE FOOD STAMP PROGRAM, FISCAL YEARS 1961-85

[Dollars in thousands]

| Fiscal year and public law | Authorization | Appropriations |
|---|---|---|
| 1961 | | $3,725 |
| 1962 | | 48,900 |
| 1963 | | 50,000 |
| 1964 | | 45,000 |
| 1965: | | |
| 88-525 | $75,000 | |
| 88-573 | | 35,000 |
| 88-635 | | 25,000 |
| Total | 75,000 | 60,000 |
| 1966: | | |
| 88-525 | 100,000 | |
| 89-316 | | 100,000 |
| Total | 100,000 | 100,000 |
| 1967: | | |
| 88-525 | 200,000 | |
| 89-566 | | 140,000 |
| Total | 200,000 | 140,000 |
| 1968: | | |
| 90-91 | 200,000 | |
| 90-113 | | 185,000 |
| Total | 200,000 | 185,000 |
| 1969: | | |
| 90-91 | 225,000 | |
| 90-463 | | 225,000 |
| 90-552 | 315,000 | |
| 90-608 | | 55,000 |
| Total | 315,000 | 280,000 |
| 1970: | | |
| 90-552 | 340,000 | |
| 91-116 | 610,000 | |
| 91-122 | | 610,000 |
| Total | 610,000 | 610,000 |
| 1971: | | |
| 91-671 | 1,750,000 | |
| 91-566 | | 1,420,000 |

## SUMMARY OF AUTHORIZATION CEILINGS AND APPROPRIATIONS FOR THE FOOD STAMP PROGRAM, FISCAL YEARS 1961-85—Continued

[Dollars in thousands]

| Fiscal year and public law | Authorization | Appropriations |
|---|---|---|
| 92-18 | | $250,000 |
| Total | $1,750,000 | 1,670,000 |
| 1972: | | |
| 91-671 | (1) | |
| 92-73 | | 2,200,000 |
| Total | | 2,200,000 |
| 1973: | | |
| 91-671 | (1) | |
| 92-399 | | 2,500,000 |
| Total | | 2,500,000 |
| 1974: | | |
| 93-86 | (1) | |
| 93-135 | | 2,500,000 |
| 93-305 | | 500,000 |
| Total | | 3,000,000 |
| 1975: | | |
| 93-86 | (1) | |
| 93-563 | | 3,989,785 |
| 94-32 | | 884,815 |
| Total | | 4,874,600 |
| 1976: | | |
| 93-86 | (1) | |
| 94-122 | | 3,453,000 |
| 94-157 | | 1,750,000 |
| Total | | 5,203,000 |
| Transition quarter: | | |
| 93-86 | (1) | |
| 94-122 | | 1,039,117 |
| 94-303 | | 200,000 |
| Total | | 1,239,117 |
| 1977: | | |
| 93-86 | (1) | |
| 94-351 | | 4,794,400 |
| 95-16 | | 720,000 |
| Total | | 5,514,400 |
| 1978: | | |
| 95-97 | | 5,627,000 |
| 95-113 | 5,847,600 | |
| Total | 5,847,600 | 5,627,000 |
| 1979: | | |
| 95-113 | 6,158,900 | |
| 95-448 | | 5,779,200 |
| 96-38 | | 900,000 |
| 96-58 | 6,778,900 | |
| Total | 6,778,900 | 6,679,200 |

## SUMMARY OF AUTHORIZATION CEILINGS AND APPROPRIATIONS FOR THE FOOD STAMP PROGRAM, FISCAL YEARS 1961-85—Continued

[Dollars in thousands]

| Fiscal year and public law | Authorization | Appropriations |
|---|---|---|
| 1980: | | |
| 95-113 | $6,188,600 | |
| 96-108 | | $6,188,600 |
| 96-243 | | 2,556,174 |
| 96-249 | 9,191,000 | |
| 96-304 | | 446,226 |
| Total | 9,191,000 | 9,191,000 |
| 1981: | | |
| 95-113 | 6,235,900 | |
| 96-249 | 9,739,276 | |
| 96-528 | | 9,739,276 |
| 97-12 | | 1,740,724 |
| 97-18 | 11,480,000 | |
| Total | 11,480,000 | 11,480,000 |
| 1982: | | |
| 97-98 | 11,300,000 | |
| 97-103 | | 10,293,384 |
| 97-216 | | 1,006,616 |
| Total | 11,300,000 | 11,300,000 |
| 1983: | | |
| 97-253 | 12,874,000 | |
| 97-370 | | 11,640,657 |
| 98-63 | | 1,189,484 |
| Total | 12,874,000 | 12,830,141 |
| 1984: | | |
| 97-253 | 13,145,000 | |
| 98-151 | | 11,741,705 |
| 98-396 | | 700,000 |
| Total | 13,145,000 | 12,441,705 |
| 1985: | | |
| 97-253 | 13,933,000 | |
| 98-473 | | 12,275,000 |
| Total | 13,933,000 | 12,275,000 |

[1] Such sums as necessary.

Differences, usually small, exist between the annual appropriated amounts, and actual expenditures or outlays for the program. The following table provides the appropriations and outlays for the program between 1961 to the present:

## FOOD STAMP APPROPRIATIONS AND OUTLAYS,[1] FISCAL YEARS 1961-85

[Amounts in thousands]

| | Appropriations | Outlays (expenditures) |
|---|---|---|
| Fiscal year: | | |
| 1961 | $3,725 | $857 |
| 1962 | 48,900 | 13,700 |
| 1963 | 50,000 | 20,000 |

## FOOD STAMP APPROPRIATIONS AND OUTLAYS,[1] FISCAL YEARS 1961-85—Continued

[Amounts in thousands]

| | Appropriations | Outlays (expenditures) |
|---|---|---|
| 1964 | $45,000 | $30,015 |
| 1975 | 60,000 | 34,395 |
| 1966 | 100,000 | 69,491 |
| 1967 | 140,000 | 114,095 |
| 1968 | 185,000 | 184,727 |
| 1969 | 280,000 | 247,766 |
| 1970 | 610,000 | 576,810 |
| 1971 | 1,670,000 | 1,567,767 |
| 1972 | 2,220,000 | 1,909,166 |
| 1973 | 2,500,000 | 2,207,532 |
| 1974 | 3,000,000 | 2,844,815 |
| 1975 | 4,874,600 | 4,598,956 |
| 1976 | 5,203,000 | 5,681,954 |
| Transition quarter | 1,239,117 | 1,325,159 |
| 1977 | 5,514,400 | 5,398,795 |
| 1978 | 5,627,000 | 5,548,752 |
| 1979 | 6,679,200 | 6,866,287 |
| 1980 | 9,191,000 | 9,163,946 |
| 1981 | 11,480,000 | 11,303,025 |
| 1982 | 11,300,000 | 11,064,157 |
| 1983 | 12,830,141 | 12,700,882 |
| 1984 | 12,441,705 | 12,375,249 |
| 1985 [2] | 12,275,000 | 12,598,563 |

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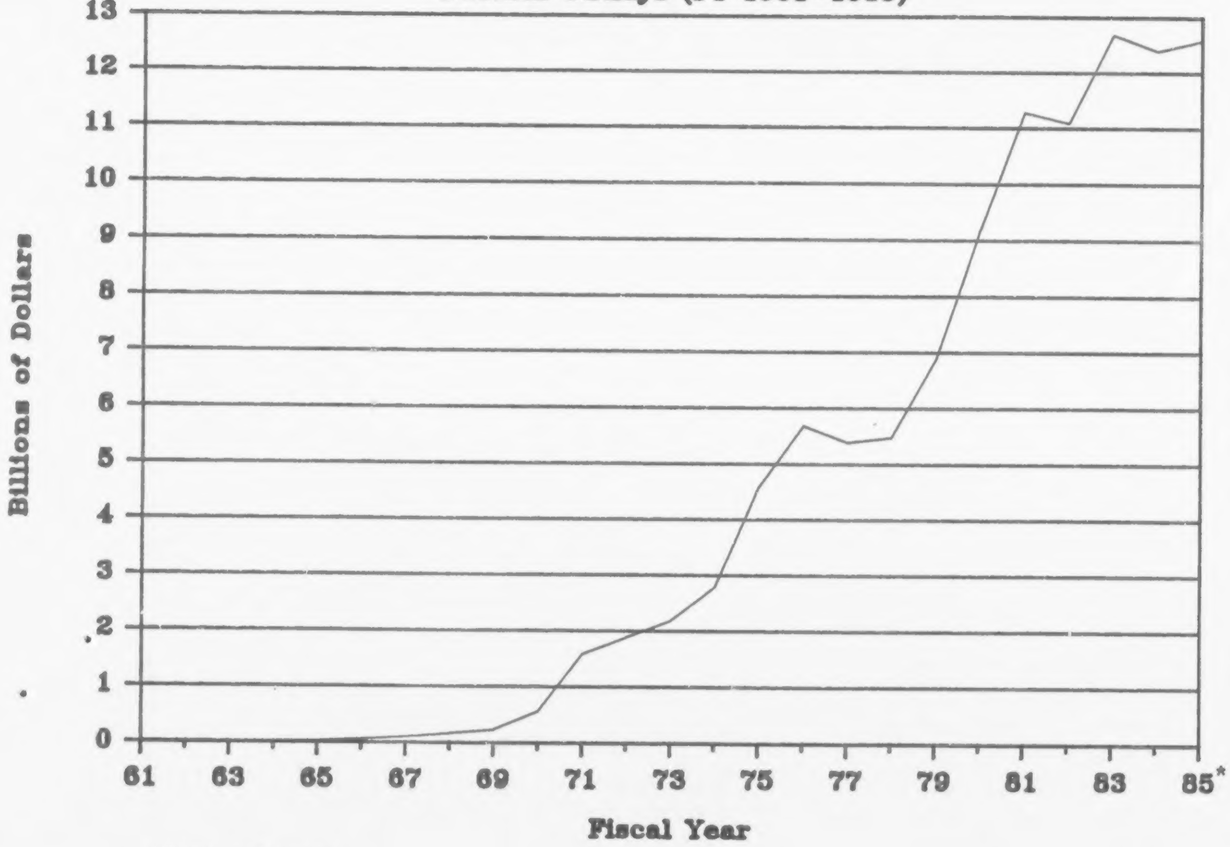
[1] Outlays represent actual cash disbursements from the Treasury. Annual figures do not include amounts transferred to the Office of Inspector General, Office of General Counsel, or Federal administrative costs included in a separate Food Program Administration Account. These three aspects now cost about $65 million annually.

[2] February 1985 estimate by U.S. Department of Agriculture.

The following graph outlines the overall Federal outlays for the Food Stamp Program since the program's beginning in 1961 as scattered pilot projects through the present fiscal year, as projected by the U.S. Department of Agriculture.

# FOOD STAMP PROGRAM COSTS

Federal Outlays (FY 1961–1985)



*USDA estimate

# DESCRIPTION OF THE FOOD STAMP PROGRAM

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## ADMINISTRATIVE STRUCTURE

The Federal Government establishes the rules that govern the Food Stamp Program pursuant to the Food Stamp Act of 1977, as amended. With certain variations for Alaska, Hawaii, and the territories, these rules are nationally uniform. States may opt to offer the Food Stamp Program or not; but, if a State chooses to offer it, as all have, it must offer the program throughout the State. The Food Stamp Program in Puerto Rico has been replaced with a nutrition assistance grant, funded at $825 million annually.

At the Federal level, the program is administered by the U.S. Department of Agriculture's Food and Nutrition Service. At the State and local levels, it is administered by welfare departments.

States are responsible for certifying applicant households and arranging for the issuance of monthly benefits to them. The Federal Government is responsible for Federal regulations implementing the Food Stamp Act, overseeing State operation, printing and processing coupons and for approving and monitoring retail stores which redeem coupons.

The Federal Government pays the full costs of food stamp benefits (about $10.7 billion in fiscal year 1984) and the nutrition grant for Puerto Rico ($825 million). The Federal Government also pays for its own administrative costs (some $83 million in fiscal year 1984), the cost of job search activities conducted by States ($30 million in fiscal year 1984), and approximately 50 percent of eligible State and local administrative expenses as well as 75 percent of new computer systems and antifraud activities (a total of $807 million in fiscal year 1984). States, and localities in some cases, finance roughly 50 percent of their administrative expenses (including issuance costs). In certain instances, the State/local share may be lower, as low as 25 percent with the Federal Government picking up 75 percent (for example, costs of setting up computerized systems and for certain antifraud activities). Additionally, States that administer their programs in such a way as to minimize overissuances are eligible for "enhanced" or "incentive" funding. Conversely, States with high overissuances may have the Federal share of their administrative costs reduced. (See section entitled "Quality Control and the Error Rate Sanction System".)

The administrative costs associated with the program vary between States based on such factors as the number of people on the food stamp rolls and the frequency of turnover among participants, the degree of computerization, salary structure, and overall efficiencies in management. The following table outlines average monthly participation, average monthly administrative costs, and the average costs per recipient per month in each State during fiscal year 1984:

### AVERAGE ADMINISTRATIVE COSTS PER HOUSEHOLD PER MONTH IN FISCAL YEAR 1984

| State | Households per month (average) | Administrative cost per month (average)[1] | Administrative costs per household per month (average) |
|---|---|---|---|
| Alaska | 7,271 | $668,111 | $91.89 |
| Arizona | 73,610 | 2,193,129 | 29.79 |
| North Dakota | 10,850 | 312,866 | 28.84 |
| Utah | 23,182 | 626,405 | 27.02 |
| District of Columbia | 32,508 | 829,632 | 25.52 |
| Texas | 383,984 | 9,500,879 | 24.74 |
| South Dakota | 15,471 | 374,378 | 24,20 |
| Maryland | 120,148 | 2,786,288 | 23.19 |
| Nevada | 14,839 | 336,821 | 22.70 |
| New York | 760,976 | 17,136,772 | 22.52 |
| New Mexico | 51,222 | 1,151,070 | 22.47 |
| New Jersey | 185,547 | 4,071,219 | 21.94 |
| New Hampshire | 14,667 | 313,425 | 21.37 |
| Connecticut | 59,758 | 1,245,039 | 20.83 |
| Georgia | 205,582 | 4,200,894 | 20.43 |
| Oklahoma | 99,486 | 1,965,249 | 19.75 |
| Virgin Islands | 8,691 | 167,800 | 19.31 |
| Idaho | 21,532 | 411,135 | 19.09 |
| Minnesota | 86,629 | 1,642,116 | 18.96 |
| Massachusetts | 148,819 | 2,795,386 | 18.78 |
| California | 576,585 | 10,743,655 | 18.63 |
| Missouri | 142,362 | 2,594,263 | 18.22 |
| Louisiana | 198,507 | 3,607,289 | 18.17 |
| Wyoming | 9,304 | 159,784 | 17.17 |
| South Carolina | 131,180 | 2,246,497 | 17.13 |
| North Carolina | 179,360 | 3,061,138 | 17.07 |
| Oregon | 91,547 | 1,521,690 | 16.62 |
| Tennessee | 200,529 | 3,307,376 | 16.49 |
| Montana | 20,843 | 339,204 | 16.27 |
| Indiana | 149,779 | 2,373,651 | 15.85 |
| Iowa | 77,907 | 1,219,493 | 15.65 |
| Washington | 110,799 | 1,720,499 | 15.53 |
| Nebraska | 33,064 | 513,205 | 15.52 |
| Vermont | 15,513 | 240,100 | 15.48 |
| Virginia | 146,169 | 2,174,491 | 14.88 |
| Florida | 261,365 | 3,850,256 | 14.73 |
| Hawaii | 37,778 | 553,379 | 14.65 |
| Delaware | 16,739 | 240,196 | 14.35 |
| Guam | 5,070 | 70,251 | 13.86 |
| Kansas | 49,169 | 677,114 | 13.77 |
| Alabama | 215,629 | 2,964,341 | 13.75 |
| Rhode Island | 31,477 | 424,877 | 13.50 |
| Colorado | 67,038 | 901,990 | 13.45 |
| Arkansas | 101,690 | 1,334,292 | 13.12 |
| Maine | 47,769 | 601,722 | 12.60 |
| Mississippi | 161,458 | 1,993,178 | 12.34 |
| Wisconsin | 128,964 | 1,586,858 | 12.30 |
| Kentucky | 198,704 | 2,285,028 | 11.50 |
| Illinois | 431,539 | 4,761,098 | 11.03 |
| Michigan | 441,385 | 4,649,475 | 10.53 |
| Ohio | 442,188 | 3,971,517 | 8.98 |
| Pennsylvania | 432,140 | 3,750,083 | 8.68 |
| West Virginia | 93,392 | 757,787 | 8.11 |
| Average |  |  | 18.74 |

[1] Total, including the Federal and State-financed portions of administrative costs.

Source: U.S. Department of Agriculture.

The General Accounting Office has reported on the increased administrative costs associated with the program as well as the different rates of administrative expenses among States, and within States. (See "Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families with Dependent Children and Food Stamp Programs", AFMD-84-18, February 2, 1984, and "Millions Can Be Saved By Improving the Productivity of State and Local Governments Administering Federal Income Maintenance Assistance Programs," AFMD-81-51, June 5, 1981.)

The GAO found in 1984, after reviewing the operation of the AFDC and Food Stamp Programs in several offices in eight States, that opportunities for productivity improvements could reduce administrative costs and, that if these improvements were implemented nationwide, millions of dollars could be saved each year.

At the State level, the Food Stamp Program is typically administered in one of two basic ways. In 35 States, the District of Columbia, Guam, and the Virgin Islands, the State (District of Columbia or territorial) government operates the program at all levels of administration—from oversight in the State Capital to actual application procedures in local welfare offices. The following States currently use this method of operation:

### STATE-ADMINISTERED PROGRAMS (38)

Alabama, Alaska, Arizona, Arkansas, Connecticut, Delaware, District of Columbia, Florida, Guam, Hawaii, Idaho, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Mississippi, Missouri, New Hampshire, New Mexico, Nevada, Oklahoma, Oregon, Pennsylvania, Rhode Island, South Carolina, South Dakota, Tennessee, Texas, Utah, Vermont, Virgin Islands, Washington, West Virginia, and Wyoming.

In the remaining 15 States, administration is divided between the State government and local governments, usually county governments. Under this format, the local governments are responsible for the actual certification of recipients and the issuance of benefits while the State retains overall supervisory responsibility. The following States have "locally administered" food stamp programs, often referred to as "county-administered" programs:

### LOCALLY ADMINISTERED PROGRAMS (15)

California, Colorado, Georgia, Indiana, Maryland, Minnesota, Montana, Nebraska, New Jersey, New York, North Carolina, North Dakota, Ohio, Virginia, and Wisconsin.

Federal regulations are published periodically to establish the national parameters of policy with regard to the Food Stamp Program. Such regulations result from changes in legislation and from ongoing review of existing Federal regulations.

Additionally, States usually publish their own guidelines, usually as "State manuals", to advise their eligibility workers on current operating procedures, especially with regard to specific procedures on which Federal regulations permit State flexibility.

State officials typically consult with one of the Food and Nutrition Service's seven regional offices for guidance on questions of policy.

States vary a great deal with regard to certain aspects of the program, particularly with regard to administrative procedures. States are responsible to establish their own form of administration as outlined above and determine the location and hours of food stamp offices and the qualifications and salaries of those (non-Federal) employees who operate the program. Additionally, the State agency determines the extent to which the State will exercise its option for certain discretionary aspects of the program, although some of these issues are subject to approval by the Secretary of Agriculture. For instance, States may determine whether, except in cases in which they are required to do so, they will use photo identification in the program, and the extent to which monthly reporting and retrospective budgeting will be used beyond that which is required. The degree of computerization varies considerably. The methods of distributing monthly benefits vary not only by State, but by areas within States—especially rural versus urban areas. This print will attempt to delineate distinctions within the States where they are known.

While certain administrative practices may vary, the Food Stamp Act of 1977 provides for uniform national eligibility standards in the program, except that separate standards apply in noncontinental areas and for certain categories of recipients, such as the elderly and disabled. These nationally uniform eligibility standards address income, assets, and work requirements.

## HOUSEHOLD CONCEPT

The basic unit for determining food stamp eligibility is the "household". As a general rule, all individuals living together in a common residential unit (such as a house, apartment, and so forth) and purchasing food and preparing meals in common constitute a food stamp household and must all be considered together as one unit for determining food stamp eligibility and benefits. In doing so, all of the individual household members' income and assets are aggregated in determining eligibility and benefits.

However, individuals who live together may, in certain cases, apply as separate households and have only their income and assets considered individually in determining their eligibility and benefits. The basic determining factor is whether those who live together purchase food and prepare meals together or apart from the remainder of the members of the residential unit.

Determining whether individuals are purchasing food and preparing meals together or separately is often difficult for eligibility workers. According to local eligibility workers and State officials, the household definition is subject to abuse. This occurs when members of a residential unit "claim" to purchase food and prepare meals separately, but, in fact, may not. In practice, a recipient's declaration of separateness generally is taken as sufficient "evidence".

The GAO noted in 1982 testimony, prior to changes that year:

It is very difficult to verify separate household status for people living together. Treating persons residing together as a single household for food stamp purposes would greatly simplify the procedures and would free the staff to concentrate on verifying income, assets, and household size. (See "Reauthorization of the Food Stamp Program", March 29, 1982, Senate Committee on Agriculture, Nutrition, and Forestry.)

In some cases, those who live together must be counted as one household regardless of whether they purchase food and prepare meals together. This is the case with regard to parents, children, and siblings who live together, unless one of the parents or siblings is elderly or disabled. If one of the parents or siblings is elderly or disabled, that person is eligible to apply as a separate household if he or she can establish that he or she purchases food and prepares meals separately from other family members. In other words, the special rule with regard to the elderly and disabled does not automatically mean a separate household is to be established for such individuals, but it permits such individuals to apply separately. [NOTE.—A husband and wife are always treated as one unit or household, regardless of whether one of the spouses is elderly or disabled.]

An additional exception is provided for individuals who are both elderly and disabled (in a more narrowly defined sense) in that they physically cannot purchase food and prepare meals because of a substantial disability. In such cases, these individuals may apply as separate households, as long as the remainder of their residential unit—excluding the spouse—(whether on food stamps or not) has a gross monthly income below 165 percent of the poverty level. The general standard of eligibility for food stamp households without an elderly or disabled member is gross income at or below 130 percent of poverty. (See section entitled "Special Provisions for the Elderly or Disabled" for an outline of eligibility criteria for these recipients.)

In general, individuals or groups of individuals residing in an institution or boarding house or living with others and paying compensation to the others for meals do not qualify as a household. However, an exception is provided for individuals living in certain "group" living situations. These exceptions include persons in special housing for the elderly and disabled; persons in small group homes for the disabled; persons living in drug addiction or alcoholic treatment program centers; and temporary residents of shelters for battered women and children. In such cases, these individuals are considered as one-person households.

The household concept is an important issue in the determination of both eligibility and benefits. Inasmuch as food stamp benefits are issued based on economies of scale, smaller households receive larger per person benefits than do larger households. (See discussion in section entitled "Thrifty Food Plan and Monthly Benefit Levels.")

Thus, individuals living in the same residential unit (house, apartment, and so forth) can collectively receive larger food stamp benefits by applying as several small households, rather than one larger household.

The following examples outline two scenarios in which households cumulatively can receive varying benefit levels:

## COMBINED VS. SEPARATE HOUSEHOLD

### EXAMPLE A

Residential unit consists of husband, wife, child, and relative residing in the home.

*Option No. 1 (Combined household)*

Family purchases food and prepares meals in common.

Maximum monthly allotment for four-person household equals $264.

*Option No. 2 (Separate households)*

Maximum monthly allotment for a three-person household (husband, wife, and child) equals $208.

Maximum monthly allotment for a one-person household (the relative) equals $79.

Residential unit total equals $287.

### EXAMPLE B

Residential unit consists of three unrelated young adults.

*Option No. 1 (Combined household)*

Members purchase food and prepare meals in common.

Maximum monthly allotment for a three-person household equals $208.

*Option No. 2 (Separate households)*

Maximum monthly allotment for each individual applying separately (claiming that they purchase food and prepare meals separately) equals $79 each.

Residential unit total equals $237.

In addition to the differences based on economies of scale in the thrifty food plan, each household, regardless of size, receives the same standard deduction (currently $95 per month). Additionally, each household, regardless of size, is eligible for the same level of deduction for excess shelter and dependent care expenses (currently capped at $134 per month). These standardized deductions effectively result in a greater value to small households than to larger households. These deductions can further exacerbate the tendency to splinter into smaller households for purposes of applying for food stamp benefits—in order to gain the most total benefits in the residential unit.

## INCOME

Monthly income is the single most important determinant affecting an individual's (or household's) participation in the Food Stamp Program. It is significant because it determines eligibility to participate in the program as well as affects the level of benefits received.

For most households (about 80 percent), there are two income tests, one relating to gross income and one relating to net income.

The Food Stamp Program provides a limitation on participation in the program in the form of a ceiling on gross monthly income for most households—a gross income eligibility standard, or test. This ceiling is established at 130 percent of the official poverty line established by the Director of the Office of Management and Budget and updated annually by the Secretary of Health and Human Services. The update is based on the changes in the consumer price index published by the Bureau of Labor Statistics—and in recent years by subtracting out the home ownership component. Any household (except a household with an elderly or disabled member) is ineligible to participate in the program if the household's gross monthly income (that is, income before the deductions permitted under the program) exceeds 130 percent of poverty, regardless of other household circumstances.

In addition to meeting the gross income standard, most households (that is, all households other than those with an elderly or disabled member) must also meet a net income eligibility standard, or test. Under the net income standard, the household's income, after taking into account the various deductions established by the Food Stamp Act of 1977, may not exceed 100 percent of the poverty line established by OMB. [Note.—Households with an elderly or disabled member must meet only the net income test. See discussion of eligibility standards in section entitled "Special Provisions for the Elderly or Disabled".]

These income eligibility standards are established for various household sizes, and are updated annually to reflect cost-of-living changes during the past 12 months. The standards in effect during July 1, 1984, through June 30, 1985, are shown in the following table. The table also shows the actual poverty line for each household size, which also serves as the net income standard. Food stamp eligibility is based on monthly income; annual figures are shown for comparison.

INCOME ELIGIBILITY STANDARDS [1]—JULY 1, 1984–JUNE 30, 1985

| | Gross income standard (130 percent of poverty) | | Net income standard (100 percent of poverty) | |
|---|---|---|---|---|
| | Month | Year | Month | Year |
| Household size: | | | | |
| 1 | $540 | $6,474 | $415 | $4,980 |
| 2 | 728 | 8,736 | 560 | 6,720 |
| 3 | 917 | 10,998 | 705 | 8,460 |
| 4 | 1,105 | 13,260 | 850 | 10,200 |
| 5 | 1,294 | 15,522 | 995 | 11,940 |
| 6 | 1,482 | 17,784 | 1,140 | 13,680 |
| 7 | 1,671 | 20,046 | 1,285 | 15,420 |
| 8 | 1,859 | 22,308 | 1,430 | 17,160 |
| Each additional member | +189 | +2,262 | +145 | +1,740 |

[1] In 48 contiguous States, the District of Columbia, Guam, and the Virgin Islands.

Source: Food and Nutrition Service, U.S. Department of Agriculture.

Because the Office of Management and Budget establishes separate (that is, higher) poverty lines for Alaska and Hawaii, separate, higher income eligibility standards apply for food stamp participation in these two States. The following tables outline the present income eligibility standards for Alaska and Hawaii:

## INCOME ELIGIBILITY STANDARDS IN ALASKA—JULY 1, 1984–JUNE 30, 1985

| | Gross income standard (130 percent of poverty) | | Net income standard (100 percent of poverty) | |
|---|---|---|---|---|
| | Month | Year | Month | Year |
| Household size: | | | | |
| 1 | $676 | $8,112 | $520 | $6,240 |
| 2 | 912 | 10,933 | 701 | 8,410 |
| 3 | 1,147 | 13,754 | 882 | 10,580 |
| 4 | 1,382 | 16,575 | 1,063 | 12,750 |
| 5 | 1,617 | 19,396 | 1,244 | 14,920 |
| 6 | 1,852 | 22,217 | 1,425 | 17,090 |
| 7 | 2,087 | 25,038 | 1,605 | 19,260 |
| 8 | 2,322 | 27,859 | 1,786 | 21,430 |
| Each additional member | +236 | +2,821 | +181 | +2,170 |

Source: Food and Nutrition Service, U.S. Department of Agriculture.

## INCOME ELIGIBILITY STANDARDS IN HAWAII—July 1, 1984–JUNE 30, 1985

| | Gross income standard (130 percent of poverty) | | Net income standard (100 percent of poverty) | |
|---|---|---|---|---|
| | Month | Year | Month | Year |
| Household size: | | | | |
| 1 | $621 | $7,449 | $478 | $5,730 |
| 2 | 838 | 10,049 | 645 | 7,730 |
| 3 | 1,055 | 12,649 | 811 | 9,730 |
| 4 | 1,271 | 15,249 | 978 | 11,730 |
| 5 | 1,488 | 17,849 | 1,145 | 13,730 |
| 6 | 1,705 | 20,449 | 1,311 | 15,730 |
| 7 | 1,921 | 23,049 | 1,478 | 17,730 |
| 8 | 2,138 | 25,649 | 1,645 | 19,730 |
| Each additional member | +217 | +2,600 | +167 | +2,000 |

Source: Food and Nutrition Service, U.S. Department of Agriculture.

### *Definition of income*

"Income" is defined in the Food Stamp Act of 1977. As a general rule, most cash income is counted as "income" in the Food Stamp Program. For instance, the following would be included: earnings of adult household members (that is, those over age 18), welfare payments (such as Aid to Families with Dependent Children, and State or local public assistance payments), disability benefits, Supplemental Security income, and retirement benefits (including annuities, pension benefits, and Social Security).

The statute provides several exceptions to the general rule that all cash income from whatever source is counted for food stamp purposes. The following kinds of income are specifically excluded in determining household income for food stamp purposes:

(1) Income that is received too infrequently or irregularly to be reasonably anticipated, but not in excess of $30 in a 3-month period;

(2) All educational loans on which payment is deferred, grants, scholarships, fellowships, veterans' educational benefits, and the like to the extent that they are used for tuition

and mandatory school fees at an institution of higher education or school for the handicapped;

(3) All loans other than educational loans on which repayment is deferred;

(4) Income earned by any child in the household who is a student and who has not attained the age of 18;

(5) Income received in the form of nonrecurring lump sum payments, including, but not limited to, income tax refunds, rebates, or credits, retroactive lump-sum Social Security or railroad retirement pension payments and retroactive lump-sum insurance settlements. [NOTE.—Lump-sum payments are counted as assets; see section entitled "Assets".]

(6) Any income that another Federal law specifically excludes from consideration as income for the purpose of determining eligibility for participation in the Food Stamp Program. [NOTE.—For example, payments to some individuals under the Domestic Volunteer Services Act of 1973 are excluded from income. Such programs include the Foster Grandparents Program, Retired Senior Volunteer Program [RSVP], Volunteers in Service to America [VISTA], University Year for Action Program, and Urban Crime Prevention Program. Also excluded is training allowance income from the Jobs Training Partnership Act.]

(7) Any Federal energy assistance payments and certain State or local energy assistance payments;

(8) Money received to care for a third party who is not a member of the household;

(9) Reimbursements which do not exceed expenses actually incurred and which do not represent a gain or benefit to the household; and

(10) The cost of producing self-employment income.

[NOTE.—Additionally, cost-of-living increases received by Social Security and railroad retirement recipients are not counted between July 1 and October 1 of each year. This provision was intended to apply when Social Security benefits were indexed on July 1 of each year and food stamp benefits were indexed each October 1. However, with the enactment of Public Law 98–21, the Social Security Act Amendments of 1983, such annual indexing of Social Security benefits takes place on January 1 of each year; hence, the food stamp provision no longer has any actual impact.]

However, most noncash income or inkind benefits, are not counted as income. For instance, any gain or benefit that is not in the form of money payable directly to a household (such as meals, clothing, public housing, produce from a garden, or vendor payments) are not included in income. [NOTE.—Vendor payments are money payments that are not payable directly to a household, but are paid to a third party on behalf of the household, for instance when someone pays the rent or mortgage of a food stamp recipient.]

## ASSETS

Assets, or resources, are the second major criteria for eligibility to participate in the Food Stamp Program.

Under the Food Stamp Program, the assets eligibility rules limit an eligible household's countable liquid assets to $1,500, or $3,000 if the household has two or more members and at least one of them is elderly or disabled. (See section entitled "Special Provisions for the Elderly or Disabled" for a discussion of eligibility criteria for households containing elderly or disabled members.)

The primary assets which are addressed by Federal legislation and regulations are cash resources and automobile (or other vehicle) ownership. [Note.—In most sections of the Food Stamp Program, the Secretary of Agriculture has flexibility to modify regulations. However, with regard to assets, regulations in effect in June 1982 have been made permanent, with few exceptions.]

### *Liquid (cash) assets*

All liquid assets, such as cash, checking accounts, savings accounts or certificates, stocks or bonds, individual retirement accounts (IRA's), and lump-sum payments are counted as assets.

### *Nonliquid assets*

Additionally, certain nonliquid assets are counted as assets for food stamp purposes. The value of certain personal property, licensed and unlicensed vehicles, buildings, land, and recreational properties count toward the maximum allowable assets limits. For instance, by statute, the value of any boat, snowmobile, or airplane used for recreational purposes is counted as an asset. Additionally, any vacation home or mobile home used primarily for vacation purposes is included. These limitations have been specified over the years in order to ensure that abuses of the assets test do not occur.

The value of the food stamp recipient's home, regardless of value, is not counted toward the assets test. Additionally, contiguous property surrounding the home, regardless of acreage, is not counted. Separate parcels of land, however, generally are counted as assets. However, regulations exempt from counting as an asset property—even if separated from the home—land which annually produces income consistent with its fair market value, even if only used on a seasonal basis such as farmland.

Regulations also exempt property which is judged to be essential to the employment or self-employment of a household member—such as work-related equipment, tools of a tradesman, and the machinery of a farmer. Household goods, personal effects, one burial plot per household member, and the cash value of life insurance policies are also exempt from inclusion as an asset.

### *Vehicles*

Vehicles, regardless of value, are excluded from being counted as a resource if the vehicle is—

(1) used primarily (over 50 percent of the time the vehicle is used) for income-producing purposes such as a taxi, truck, or fishing boat;

(2) annually producing income consistent with its fair market value, even if used only on a seasonal basis (such as tractors or other farm machinery);

(3) necessary for long distance travel that is essential to the employment of a household member, such as the vehicle of a

traveling sales person or a migrant farmworker following the work stream;

(4) necessary for subsistence hunting or fishing;

(5) used as a household's home; or

(6) necessary to transport a physically disabled household member.

Thus, the number of vehicles and their value, is disregarded if the vehicle is used for any of these purposes.

Other than for these specific exceptions, the fair market value of any vehicle in excess of $4,500 is counted toward the assets ceiling. The fair market value is determined by the use of publications listing the value of vehicles, popularly called "blue books". The National Automobile Dealers Association's (NADA) Used Car Guide Book is a commonly available and frequently used source of market value information.

It is not the total value of vehicles in excess of $4,500, but only the amount of each vehicle in excess of $4,500 that is included. For example, a household owning one automobile with a fair market value of $5,500 would have $1,000 applied toward the household's assets ceiling. A family with two cars, each worth $4,000, however, would not have any part of either vehicle counted toward the assets ceiling.

In addition to the fair market value of nonexempt vehicles, the equity value of such vehicles is determined. [NOTE.—The equity value is the value of the vehicle after any remaining loan balance is deducted.]

For purposes of determining equity value, however, one vehicle per household is excluded, regardless of the use of the vehicle. If the vehicle is used for purposes described earlier which exempt it from the fair market value test, it is also exempt from the equity value test. Finally, any vehicle used to transport members of the household to and from work is excluded. [NOTE.—A vehicle used to transport members to and from work is only exempt from the equity test. The fair market value test applies unless the vehicle is used, to produce income or is necessary for long-distance work-related travel.]

In the event a licensed vehicle is assigned both a fair market value in excess of $4,500 and an equity value, the greater of the two amounts is used in applying the assets test.

The value of vehicles that are not excluded is determined by using the higher of the fair market value or the equity value of the vehicle.

*Example*

Nonexempt car: Fair market value equals $5,000; equity value equals $1,000.

Fair market test: $5,000 minus $4,500 equals $500; equity test: $1,000.

Assets ceilings: The higher amount ($1,000) would be used.

Households may not knowingly transfer assets for the purpose of attempting to qualify for Food Stamp Program participation. Households that do attempt such a transfer are ineligible for program participation for 1 year.

## WORK REQUIREMENTS

In addition to the financial considerations determining eligibility for food stamp participation, there are nonfinancial criteria, including work registration and certain categorical limitations.

The third criteria for initial eligibility to participate in the Food Stamp Program is the individual's willingness to register for employment. "Able-bodied" individuals, if not working and not within an exempt category, are required to be available and register for work and meet job search requirements in order to qualify for food stamp benefits. As specified in each State, this may require a certain number of job search contacts.

Household members exempt from work registration requirements are the following:

(1) A person younger than age 18 or older than age 60;

(2) A person physically or mentally unfit for employment;

(3) A person who is subject to and complying with a work registration requirement of the AFDC Program, or the Federal-State unemployment compensation system;

(4) A parent or other member of a household with responsibility for the care of a dependent child under age six or of an incapacitated person;

(5) A student who is eligible to participate in the Food Stamp Program—that is, is enrolled at least half time in a recognized school, training program, or institution of higher education;

(6) A regular participant in a residential drug addiction or alcoholic treatment and rehabilitation program; and

(7) A person who is employed a minimum of 30 hours per week or receiving weekly earnings which equal the minimum wage multiplied by 30 hours.

Approximately 17 percent of all food stamp households have members who are not exempt from work registration under the seven exemptions listed above, and must register for employment at the time of application for food stamp assistance and at least once every 12 months thereafter.

The work registration rules require that household members not exempt from work registration procedures register for employment through the local State employment office, seek employment, and accept any suitable job offer in order for the household to retain eligibility.

Suitable employment is defined by statute to mean, among other things, employment at a wage not less than the higher of either the Federal minimum wage, the applicable State minimum wage, or 80 percent of the Federal minimum wage if neither the Federal nor State minimum wage is applicable. Additionally, the job need not be taken, under current regulations, if the employment offered is on a piece-rate basis and the average hourly yield the employee "can reasonably be expected to earn" is less than the minimums outlined above. The Federal regulations also provide an exemption during the first 30 days of registration if the work offered is not in the recipient's "major field of experience".

In addition, up until May 1982, the Department of Agriculture had contracted with the Department of Labor to administer required job search services with respect to Food Stamp Program work registrants. USDA no longer contracts with the Department of Labor, but is contracting directly with State agencies to administer work registration and job search requirements.

Recipients need not fulfill the work registration requirements of the Food Stamp Program if they are already subject to, and fulfilling, the work requirements of another program, such as unemployment compensation or the Work Incentive Program [WIN] within AFDC. However, failure to comply with the other program's work requirement is considered a failure to comply with the Food Stamp Program's work registration requirement, and the household would no longer be eligible to participate in the Food Stamp Program.

Households whose primary wage earner voluntarily quits a job without good cause are not eligible to participate in the Food Stamp Program for a period of 3 months.

Additionally, in certain counties, work registrants must also work in community service jobs in order to retain food stamp eligibility for the household. At the option of individual States and counties, this requirement for "workfare" may be imposed. In such workforce program areas, recipients are required to work in community service jobs offered by public or private nonprofit organizations. The number of hours per month which a recipient is required to work is determined by dividing the monthly benefits by the minimum wage, currently $3.35 per hour. The maximum hours of workfare that may be required may not exceed 30 hours per week (including any other work or other workfare obligations).

Food stamp recipients subject to workfare typically are identified by the food stamp office and referred to a workfare division which schedules them for an interview. At the interview, the individuals' skills, abilities, interests, and work experiences may be assessed, and the recipients are scheduled for work with either State and local governmental agencies or with private nonprofit organizations.

Referred individuals who fail to report for the workfare interview, fail to report for work, or fail to complete the required hours of work are referred back to the food stamp office for a determination of the cause for noncompliance and, where appropriate, imposition of a sanction. Under Federal regulations, "good cause" reasons for failure may be established for such circumstances as lack of transportation, illness, household emergency, or conflict with other employment, training, or job search. If an individual establishes cause for failure to comply with workfare obligations, he may be designated exempt from workfare or the interview or work assignment will be rescheduled so as not to conflict with the priority activities which precluded the recipient's initial compliance.

If good cause is not established, the household will lose eligibility to participate in the Food Stamp Program for 2 months. However, the household may be reinstated if any able-bodied individual in the household completes the workfare obligation.

The agency operating food stamp workfare is responsible for establishing the appropriate number of job sites and for making job site assignments for recipients. There is no penalty for a recipient who fails to comply with a workfare obligation if the jurisdiction did not assign the recipient to a job.

Workfare sites must be in connection with State or local governments or with private nonprofit organizations. Decisions about whether to consider a recipient's educational or occupational background are the discretion of the State or local jurisdiction operating a workfare program.

Typical workfare job sites include schools (as clerical assistants, librarians, teacher's aides, or food service personnel) recreation departments of governments or nonprofit organizations such as the YMCA, public libraries, and other governmental agencies or private nonprofit organizations, including the Red Cross, the Salvation Army, and so forth.

The food stamp workfare provision is designed to be compatible with other workfare programs being operated by State and local governments in connection with other public assistance programs. Specifically, the law permits States or local governments to comply with food stamp workfare requirements by using the structure of a workfare program set up in connection with the Aid to Families with Dependent Children Program. States or localities operating such a program—a Community Work Experience Program, CWEP—are permitted, at their option, to merge or piggyback their food stamp workfare into the operation of such an AFDC Workfare Program.

For example, in States or localities opting to do so, a food stamp recipient (who is not on AFDC) who has a 12-hour per week workfare obligation could be referred to AFDC workfare to be assigned a workfare job to fulfill the 12 hour obligation. If that same recipient was receiving AFDC benefits in an area which required food stamp workfare, and was already participating in AFDC workfare, the food stamp obligation would be added to the number of hours required in AFDC to determine the total workfare commitment.

In other non-AFDC workfare programs, the Secretary of Agriculture must determine that the program meets the provisions and protections provided in the Food Stamp Workfare Program before permitting such a consolidation.

Administrative costs of operating a workfare program are divided, as are other administrative expenses, 50-50 between the Federal Government and the State or local government operating the workfare program. Additional reimbursement for the operating agency's administrative expenses are also permitted based on a formula designed to estimate anticipated savings from the workfare program.

The reimbursement provision provides that when the workfare participants become employed during their workfare obligation or within 30 days after completing their workfare obligation, 50 percent of the money saved (from reduced food stamp allotments or discontinuation of participation in the Food Stamp Program) will be available to be returned to the operating agency to help defray the remaining eligible administrative costs of workfare. The reimbursement will be three times the money saved from the decrease in allotments in the first month as a result of the workfare participant's subsequent employment. This formula, established in the legislation, is intended to provide a standard methodology by which the workfare reimbursement can be measured and thereby reduce the administrative work in calculating that reimbursement.

Workfare recipients must be reimbursed up to $25 per month for both actual costs of transportation and other actual costs, all of which are reasonably necessary and directly related to participation in the program. The $25 maximum is a reimbursable administrative expense.

At the end of fiscal year 1984, there were 15 communities operating workfare programs for able-bodied food stamp recipients:

### OPERATION OF FOOD STAMP WORKFARE (SEPTEMBER 1984)

Arkansas: Benton, Lonoke, Polk, and Scott Counties.
California: Plumas and San Diego Counties.
Illinois: Cook County (Chicago).
North Carolina: Ashe and Moore Counties.
South Carolina: Berkeley and Greenville Counties.
Virginia: City of Danville.
Washington: Pierce and Spokane Counties.
Wisconsin: Taylor County.

## OTHER LIMITATIONS ON ELIGIBILITY

Other determinations of eligibility relate to certain categorical limitations, such as those applying to aliens, college students, and strikers.

Aliens are ineligible for food stamp participations unless they have been admitted to the United States for permanent residence or are present under certain specified provisions of the Immigration and Nationality Act; thus, illegal and temporarily resident aliens are ineligible. However, children born in the United States to aliens, either legal or illegal aliens, are U.S. citizens and are eligible to participate in the Food Stamp Program. In such cases, or other instances in which ineligible aliens are in the same household unit with eligible aliens, a share of the ineligible alien's income and all of his or her assets are attributed to the remaining (eligible) part of the household. Legal aliens are typically those with permanent alien status (pending citizenship), those who have been exempted for humanitarian reasons, and long-term aliens who have become "grandfathered" in.

Certain aliens enter the United States under a system by which citizens "sponsor" the newly arriving alien by agreeing to ensure that the alien will not become a public charge for 3 years. In the case of such "sponsored aliens", the Food Stamp Program permits participation. However, the income and resources of the sponsors of such aliens is deemed available to those aliens for food stamp purposes. The sponsor's income deemed available is any income above 130 percent of the poverty line for a household equal in size to the following composition: the sponsor, the sponsor's spouse if living with the sponsor, and any dependents. Resources, or assets, deemed available would be any resources above $1,500. The provision applies only to those aliens applying for permanent immigrant (alien) status, and the attribution of income and assets of sponsors applies during the first 3 years after entry of the alien into this country, the length of the sponsor's agreement.

Congress has cut back the eligibility for post-secondary students to participate in the Food Stamp Program. Students (usually termed "college" students) who are enrolled at least half time in post-high school education and who otherwise qualify are ineligible unless they are: (1) disabled, (2) working at least 20 hours a week, (3) enrolled in a federally financed work-study program, (4) an AFDC recipient, (5) a parent with responsibility for the care of a dependent child under age six or for the care of a child up to age 12 for whom adequate child care is not available, or (6) under age 18 or over age 60.

However, students enrolled less than half-time are not subject to these limitations on participation, but are treated under the same eligibility criteria applicable to all other, nonstudent applicants.

In households containing ineligible members, such as aliens and college students, remaining members of the household are eligible to participate in the Food Stamp Program. In the case of aliens, a portion of the income of the ineligible alien is counted for purposes of determining food stamp eligibility and benefit levels. The income (minus a pro rata share for the ineligible member) is counted in determining the remainder of the household's total income. All of the assets of the ineligible alien are counted.

However, a separate rule applies to students who are ineligible. Neither the income nor assets of the student is counted. The remainder of the household is thus able to qualify without any consideration of the income or assets of the student.

In essence, since legislation was adopted in 1981, most households containing strikers are not eligible for food stamp participation. Strikers and their families may not become eligible for food stamp benefits by virtue of the reduction in income attributable to a strike action. Also, if a household was eligible for food stamps immediately prior to a strike, the household may participate, or continue to participate, but there may be no increase in food stamp benefits as the result of a decrease in the income of the striking household member or members.

However, if the person who is striking is exempt from work registration requirements (such as someone over age 60, for example) this limitation does not apply.

Additionally, in 1982, a change was made to limit participation by public employees who are fired as a result of their participation in an illegal strike. As noted in the discussion on work registration, households where the head of the household has voluntarily quit a job without good cause are ineligible to apply for food stamps—or, if participating, will be removed—for 90 days after the household head has voluntarily quit his or her job. The statute also provides that public employees who are terminated from employment for their participation in a strike shall be deemed to have voluntarily quit such job without good cause, and thus any household containing such an individual is subject to the 90-day ineligibility period.

Supplemental Security Income recipients are ineligible for food stamp participation in States in which their cash SSI assistance has been increased to include a standardized value of food stamp benefits. These States currently are California and Wisconsin.

Additionally, in certain pilot project areas, SSI recipients and elderly persons receive the cash equivalent of their normal food stamps. These pilot projects are located in the following States:

### SSI/ELDERLY CASH-OUT PILOT PROJECTS

Minnesota: Hennepin County (Minneapolis).

New York: Monroe County (Rochester).

Ohio: Cuyahoga County (Cleveland).

Oregon: Clackamas, Columbia, Multnomah (Portland), and Washington Counties.

South Carolina: Darlington, Dillon, Florence, and Marion Counties.

Utah: Statewide.

Vermont: Statewide.

Virginia: Arlington County.

Indians on reservations are eligible for food stamp benefits and must meet the regular requirements. If the reservation chooses to operate a commodity distribution program, households on the reservation may not participate in both the Food Stamp Program and the Commodity Distribution Program.

Another requirement for program participation is the cooperation of household members in providing information to the State agency that is necessary for making a determination of the household's eligibility and appropriate benefit levels. Such information includes the filing of monthly reports, if required by the State agency. (See discussion of monthly reporting and retrospective budgeting in section entitled "Application Procedures".)

As noted in the section dealing with assets, households that knowingly transfer assets for the purpose of attempting to qualify for food stamp participation are ineligible for program participation for 1 year.

Disqualification periods (and permanent disqualification) exist for individual program participants who intentionally violate provisions of the Food Stamp Act or regulations thereof. Households containing individuals ineligible to participate because of such violations may continue to participate, but may not receive any increase in benefits as a result of the disqualification. In effect, the income and assets of the disqualified individual are fully counted in determining the remainder of the household's eligibility and benefit levels. (See section entitled "Enforcement of Program Rules and Penalties for Violations.")

## APPLICATION PROCEDURES

The Food Stamp Act of 1977 requires that applicants for food stamp assistance have their applications processed—either be approved and receive initial benefits, or be denied—within 30 days of their initial application for benefits.

Additionally, for certain households, special, expedited application procedures are available. Households eligible for expedited services are those that have gross incomes less than $150 per month (or are destitute migrant or seasonal farmworker households) and that have liquid resources that do not exceed $100. (Destitute, for food stamp purposes, means having recently lost income with little expectation of new income.)

Applicant households that meet these criteria must be furnished their food stamp benefits within 5 days following the date of application. (The Department has interpreted this to be 5 calendar days, not 5 working days.) Under Department of Agriculture regulations, such applicants must be provided an opportunity to participate in the program by having an authorization-to-participate document (ATP card) or coupons (food stamps) mailed to them, or having the ATP card or coupons available to be picked up by no later than the start of the fifth day after the application was filed. (See section entitled "Methods of Issuance" for a description of various forms of issuance).

In order to meet the deadline for expedited service, the verification of household circumstances by the State agency may be postponed except for identity, which must be verified by documentary evidence or collateral contact before certification approval. Collateral contacts are third parties who can substantiate information—such as income, expenses, household size—supplied by the applicant household. (States are urged to verify residency whenever possible.) Other facts may be verified within this short timeframe, and verification that has been postponed must be completed before issuing the subsequent month's benefits. Both expedited and nonexpedited households must meet normal asset limits and are subject to work registration and other nonfinancial program provisions.

The use among the States of expedited service varies a great deal. The General Accounting Office reported in 1982, before the 1982 statutory changes to expedited service, that in 34 States, the percentage of all new cases receiving expedited service ranged from 4 percent to 75 percent. (See "Expedited Service in the Food Stamp Program" CED-82-59, Mar. 15, 1982, and "Food Stamp Program Application Processing Time," CED-82-87, May 21, 1982.)

The GAO also reported that State officials had expected that error rates for expedited cases would be higher than for other food stamp cases because a household could receive 1 month's food stamp benefits just by proving residency and identity. However, the GAO concluded that expedited service cases generally had a lower error rate than the overall quality control error rate for all cases reviewed. The GAO added, however, that because of the limited number of expedited cases included in the quality control review and the impact of imcomplete case reviews, the error rate data may not accurately reflect the total program picture.

In four States visited by the GAO, food stamp officials said:

> That daily food stamp work schedules are disrupted because caseworkers must interrupt ongoing work to handle expedited cases. Workers subsequently hurry to catch up on the work they had to put off and, as a result, may make errors in those cases. Also, clients whose cases are delayed because of the priority given to expedited cases may not get their stamps as quickly as they otherwise would.

In the second report, the GAO found that:

> Food stamp officials in 19 States said that eliminating expedited service would help reduce processing time for regular cases. Officials in 30 other States and the District of Columbia said that eliminating this service would not affect the processing time for regular cases.

The following table shows the distribution of processing for food stamps in the 50 States in May 1982, as accumulated by the General Accounting Office.

## STATES THAT REPORTED PROCESSING REGULAR CASES WITHIN 15 DAYS

| State | Number of days to process regular cases | Percent of new cases receiving expedited service |
|---|---|---|
| Alaska | 15 | 40 |
| Arkansas | 15 | 20 |
| California | 13 | (1) |
| Colorado | 15 | (1) |
| Delaware | 14 | 75 |
| District of Columbia | 5 | 28 |
| Florida | 14 | 24 |
| Hawaii | 14 | 5 |
| Idaho | 9 | 44 |
| Iowa | 7 | 7 |
| Kentucky | 14 | 43 |
| Louisiana | 13 | (1) |
| Maine | 15 | Under 10 |
| Massachusetts | 7 | 55 |
| Missouri | 15 | 15 |
| Montana | 1 | (1) |
| Nebraska | 14 | (1) |
| Nevada | 14 | 18 |
| New Mexico | 12 | (1) |
| North Dakota | 10 | Under 10 |
| Oklahoma | 15 | 14 |
| Oregon | 7 | (1) |
| Rhode Island | 14 | 30 |
| Soutn Carolina | 7 | 6 |
| South Dakota | 5 | Under 10 |
| Tennessee | 12 | 67 |
| Texas | 15 | 60 |
| Utah | 15 | 40 |
| Washington | 4 | 25 |
| West Virginia | 5 | (1) |
| Wisconsin | 7 | 70 |
| Wyoming | 14 | 33 |

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[1] Information not available.

## STATES THAT REPORTED PROCESSING REGULAR CASES WITHIN 22 DAYS

| State | Number of days to process regular cases | Percent of new cases receiving expedited service |
|---|---|---|
| Alabama | 17 | (1) |
| Connecticut | 22 | 12 |
| Georgia | 21 | 26 |
| Illinois | 21 | 36 |
| Kansas | 12 | |
| Rural counties | | 35 |
| Urban counties | | 65 |
| Minnesota | 21 | 24 |
| New Hampshire | 21 | 10 |
| Vermont | 20 | 4 |

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[1] Information not available.

STATES THAT REPORTED PROCESSING REGULAR CASES WITHIN 30 DAYS

| State | Number of days to process regular cases | Percent of new cases receiving expedited service |
|---|---|---|
| Arizona | Within 30 days | 25 |
| Maryland | do | 36 |
| Michigan | do | 11 |
| Mississippi | do | ([1]) |
| New Jersey | do | 14 |
| New York | do | ([1]) |
| North Carolina | do | ([1]) |
| Ohio | do | ([1]) |
| Pennsylvania | do | ([1]) |
| Virginia | do | ([1]) |

[1] Information not available.

Note.—Indiana could not provide an information; therefore, it is not listed.

Source: General Accounting Office.

The GAO also found that, among States that had information readily available in its survey, the use of expedited service cases varied greatly.

*Percent of new cases receiving expedited service*

| State: | |
|---|---|
| South Carolina | 6 |
| Michigan | 11 |
| New Jersey | 14 |
| Missouri | 15 |
| Arkansas | 20 |
| Washington | 25 |
| Georgia | 26 |
| Illinois | 36 |
| Massachusetts | 55 |
| Texas | 60 |
| Wisconsin | 70 |

Source: General Accounting Office.

Typically, an individual seeking food stamps would call the local welfare office to make an appointment or would appear in person requesting an appointment. With certain exceptions, a personal interview with applicants is required under the Food Stamp Program. The interview is conducted by an eligibility worker, or caseworker.

Prior to the interview, the applicant is required to fill out a food stamp application as fully as possible. Such an application contains questions relating to income, assets, and employment, as noted in earlier sections of this print. The application is completed during the interview.

For certain categories of households, application for food stamp benefits must be permitted when applying for other Federal benefit progams. A separate interview may not be required for individuals who are also applying for AFDC benefits. Rather, they complete a unified application which serves simultaneously as their application for participation in both programs. Similarly, households in which all members are recipients of supplemental security income [SSI] are permitted to complete a simple application at the Social Security office and may not be required to apply separately for food stamps although additional information may be requested. For States or localities that maintain their own State or local general assistance (or public assistance) the States may, but are not required to, provide a unified application which will suffice as an application both for the general assistance program and for the Food Stamp Program.

Households in which all members are recipients of AFDC and whose incomes are below 130 percent of proverty are deemed automatically to fulfill the assets test for food stamp participation. Because the eligibility level for AFDC participation in most States is lower than the 130 percent of proverty gross income ceiling in the Food Stamp Program, most households with all AFDC recipients may be exempted from the food stamp assets test because they have already met the AFDC assets test.

Following is a sample food stamp application, from the State of North Carolina.

DSS-1696 (Rev. 2-84)
FOOD STAMP OPERATIONS

# NORTH CAROLINA DEPARTMENT OF HUMAN RESOURCES
## Division of Social Services

### APPLICATION for FOOD STAMPS - Part 1

| | | | | |
|---|---|---|---|---|
| | | | Date Received | Sex/race code |
| COUNTY OFFICE USE ONLY ▶ | County | Case number | Case name | |

*Step 1 - Complete Page 1*

To begin to apply for food stamps, complete this first page, tear if off and give it to us. We are required to take action on your application within 30 days from the date you give us this first page. So the sooner you give us the first page, the quicker you will know whether you will receive food stamps. *Now go to Step 2.*

*Step 2 - Complete pages 2 thru 7*

Pages 2 thru 7 must be completed before we can see if you are eligible for food stamps. You can return pages 2 thru 7 to us along with page 1 or at the time of the interview we will schedule for you. Try to fill out as much as possible now. Your case worker will help you with the rest during the interview.

APPLICANT INFORMATION and SIGNATURE

Name

Mailing address - No. Street/PO Box/R. Rt.

City State ZIP code

Home Phone No. Work Phone No.

Residence Address - *If different from mailing address. (If you do not have a street address - tell us how to get to your home.)*

☐ YES ☐ NO Are you currently participating in the Food Stamp or Commodity Program in North Carolina or another state? If yes, where? ..........

☐ YES ☐ NO Are you a boarder?

☐ YES ☐ NO Is anyone in your household on strike?

☐ YES ☐ NO Has anyone in your household quit a job in the last 60 days?

Applicant's Signature

Date signed

IF YOU NEED FOOD STAMPS RIGHT AWAY

If your household has little or no income right now, you may be able to receive food stamps within a few days. Answer the following questions only if your household has little or no income and needs food stamps right away.

INCLUDE as HOUSEHOLD MEMBERS, the FOLLOWING PEOPLE WHO LIVE TOGETHER:

- A person 60 years of age or older, living with others, who is unable to purchase and prepare meals because of a disability.
- Parents and children, brothers and sisters, under age 60 and not disabled.
- Parents, and brothers and sisters, age 60 or older or disabled if they live and eat meals with the other household members.
- Other people who live and eat with you except roomers and boarders.

☐ YES ☐ NO Has anyone in your household received any income so far this month? If YES, how much? $ ____________

☐ YES ☐ NO Did your household's only income recently stop?
If YES, explain:

☐ YES ☐ NO ☐ Do not know Does anyone in your household expect to receive income later this month?
If YES, how much? $ ____________ When?

How many people live in your home and eat with you? *Include yourself.* ____________

☐ YES ☐ NO Is anyone in your household 60 years or older?

How much do the members of your household have in cash and savings? *Give your best estimate of the total* $ ____________

☐ YES ☐ NO Is anyone in your household receiving Supplemental Security Income (SSI), VA, or Social Security disability payments? What are their monthly medical costs? *Give your best estimate:* $ ____________

DSS-1698 (Rev. 2-84)
FOOD STAMP OPERATIONS

# NORTH CAROLINA DEPARTMENT OF HUMAN RESOURCES
## Division of Social Services

PAGE 2

### APPLICATION for FOOD STAMPS - Part 2

| | | | | | |
|---|---|---|---|---|---|
| [illegible] | [illegible] | [illegible] | [illegible] | Sex/ race code | DSS-1680/1681 FILED IN AFDC RECORD ☐ |

Answer the following questions honestly and completely. If you know but refuse on purpose to give any needed information your household (you and the people who purchase and prepare food with you) won't be eligible for food stamps. Each question must be answered. If a question does not apply to you enter "NA" (Not Applicable). Enter "Unknown;; if you do not know the answer.

You may complete the application at home and mail it, or bring it to the food stamp office. Or, another member of your household, or an adult who knows you may complete it with your permission and return it to us.

**IMPORTANT:** When you are interviewed, please bring proof of all household income - for example pay stubs and award letters for government benefits (such as SSI or Social Security), medical receipts for household members who are sixty years of age or older or who are receiving SSI or receiving VA or Social Security disability payments. We may also need the following items: statements of all household savings and checking accounts, rent or mortgage receipts and utility bills. *Having these items with you could speed up your application.*

Name

Mailing address No. Street, PO Box, R. Rt.

City State ZIP code

Home Phone No. Work Phone No.

Residence Address - *If different from mailing address. (If you do not have a street address - tell us how to get to your home.)*

☐ YES ☐ NO Are you currently participating in the Food Stamp or Commodity Program in North Carolina or another state? If yes, where?

☐ YES ☐ NO Are you a boarder?

☐ YES ☐ NO Is anyone in your household on strike?

☐ YES ☐ NO Has anyone in your household quit a job in the last 60 days?

1. HOUSEHOLD MEMBERS *Attach a separate sheet if you need more room.*

Fill in all blanks for each household member, including yourself. People who purchase and prepare food with you (except roomers and boarders) should be listed as household members.

The submission of the Social Security Number (SSN) for all household members is mandatory under the Tax Reform Act of 1976 and the Food Stamp Act of 1977 as amended by PL 96-58 (7 U.S.C. 2025 F). Your SSN will be used in the administration of the Food Stamp Program to check the identity of household members, prevent duplicate participation and to facilitate making mass changes. Your SSN will also be used in computer matching and program reviews or audits to make sure your household is eligible for food stamps. This may result in criminal or civil action or administrative claims against persons fraudulently participating in the Food Stamp Program.

INCLUDE as HOUSEHOLD MEMBERS, the FOLLOWING PEOPLE WHO LIVE TOGETHER:
- A person 60 years of age or older, living with others, who is unable to purchase and prepare meals because of a disability.
- Parents and children, brothers and sisters, under age 60 and not disabled.
- Parents, and brothers and sisters, age 60 or older or disabled if they live and eat meals with the other household members.
- Other people who live and eat with you except roomers and boarders.

COUNTY OFFICE USE ONLY

Enter appropriate code letter from list below. If registered, include date.

| 80 NAME | BIRTH DATE Mo. | Dy. | Yr. | AGE | SOCIAL SECURITY NUMBER | RELATIONSHIP to HEAD of HOUSEHOLD | A U.S. CITIZEN? | 80E |
|---|---|---|---|---|---|---|---|---|
| 1 | | | | | | | ☐ YES<br>☐ NO | |
| 2 | | | | | | | ☐ YES<br>☐ NO | |
| 3 | | | | | | | ☐ YES<br>☐ NO | |
| 4 | | | | | | | ☐ YES<br>☐ NO | |
| 5 | | | | | | | ☐ YES<br>☐ NO | |
| 6 | | | | | | | ☐ YES<br>☐ NO | |
| 7 | | | | | | | ☐ YES<br>☐ NO | |

A. Under age 18 or age 60 or over
B. Mentally or physically disabled — except SS/VA
C. Cares for child under age 12 or incapacitated person
D. Cares for child under age 18 and another member is registered or employed
E. Participates in or subject to WIN
F. Receives unemployment compensation or has applied
G. Participates in drug addict or alcoholic treatment program
H. Works at least 30 hrs. per week or receives weekly earnings equal to federal minimum wage × 30
I. Student
J. Screened out for reduction of referrals
K. Not included in certification
R. Registered

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2. US CITIZENSHIP

PAGE 3

For each person who is not a citizen, you will need to show the food stamp office an alien registration card, such as: INS forms I - 151, I -551, I - 94 or a re-entry permit.

Name or Line No.

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List type of verification and date provided. (residency, identity, citizenship, alien status, reserve)

3. RESERVE

☐ YES ☐ NO Does anyone in your household have any cars, trucks, boats, campers, motorcycles or other vehicles? *If YES, please describe.*

| Make | Model | Year |
|---|---|---|
| 1 | | |
| 2 | | |
| 3 | | |

☐ YES ☐ NO *Does anyone in your household have any unlicensed vehicles? If YES please describe*
*Make - Year*
*Make - Year*

☐ YES ☐ NO Does your household have any savings? *If YES, enter amounts below.*

| | |
|---|---|
| Cash on hand<br>$ | Savings account/credit union<br>$ |
| Checking account<br>$ | Stocks, bonds, other<br>$ |

☐ YES ☐ NO *Does your household have any real estate other than your home? For example: land or buildings, including buildings you rent to others. If YES, you may need to bring information about the value of the property, any amount owed and how the property is used.*

☐ YES ☐ NO Did you or a member of your household sell, trade or give away anything of substantial value during the last three months?

Workspace - LICENSED VEHICLES

PRIMARY VEHICLE & VEHICLE USED IN WORK

| | | | |
|---|---|---|---|
| MAKE ▶ | | | |
| YEAR ▶ | | | |
| FAIR MARKET VALUE ▶ | $ | $ | $ |
| [illegible] | [illegible] | [illegible] | [illegible] |
| [illegible] ▶ | | | |

OTHER LICENSED VEHICLES

| | |
|---|---|
| MAKE | |
| YEAR | |
| [illegible] | [illegible] |
| [illegible] | [illegible] |
| [illegible] | [illegible] |
| MAKE | |
| YEAR | |
| [illegible] | [illegible] |
| [illegible] | [illegible] |
| [illegible] | [illegible] |

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**WORKSPACE - UNLICENSED VEHICLES**

| | | | |
|---|---|---|---|
| YEAR ▶ | | | |
| MAKE ▶ | | | |
| FAIR MARKET VALUE ▶ | $ | $ | $ |
| MINUS [illegible] | — | — | — |
| EQUITY VALUE ▶ | $ | $ | $ |

**WORKSPACE - RESERVE COMPUTATION**

[illegible]

| | |
|---|---|
| Cash on hand | $ |
| Savings accounts | $ |
| Checking accounts | $ |
| Stocks, bonds, etc. | $ |
| Real estate (equity value) | $ |
| Countable value of licensed vehicles (see workspace provided) | $ |
| Equity value of unlicensed vehicles | $ |
| Other | |
| | $ |
| Total household reserve | $ |

**MAXIMUM RESERVE LIMIT for HOUSEHOLD (if one)**

☐ [illegible] ☐ [illegible] ☐ [illegible] — AFDC

### 4. INCOME from WORK

Fill in all blanks for each household member with a full or part-time job. If a member has more than one job, list each job separately. Include members who receive income from CETA or WIN. Do not include self-employed household members.

| NAME of WORKING PERSON | NAME of EMPLOYER | Total pay before deductions | How often paid? |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |

☐ YES ☐ NO Is anyone in your household self-employed?
If YES, give details and please bring last year's federal tax forms for those household members. *If no such tax forms were filed last year, bring proof of self- employment costs and income.*

| NAME of WORKING PERSON | SOURCE | AMOUNT | HOW OFTEN RECEIVED |
|---|---|---|---|
| 1 | | | |
| 2 | | | |
| 3 | | | |
| 4 | | | |

**TOTAL** Monthly income (from employment)

[illegible] $

**TOTAL** Monthly self-employment income after business costs are deducted (include room & board payments)

[illegible] $

### 5. ROOMERS and BOARDERS

☐ YES ☐ NO Does anyone pay you for meals, room or board?
If YES, give details

| NAME | HOW OFTEN PAID | AMOUNT | NO. MEALS DAILY |
|---|---|---|---|
| 1 | | | |
| 2 | | | |

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**6. OTHER INCOME AMOUNTS** - *Indicate if you or anyone else in your household receives income from any of the below sources, or has applied for these benefits.*

| SOURCE of INCOME | YES | NO | PERSON(s) WHO RECEIVE(s) the INCOME | $ Amount Received | How often received? | [illegible] | |
|---|---|---|---|---|---|---|---|
| | | | | | | VERIFICATION | MONTHLY AMT. |
| AFDC - Aid to Families with Dependent Children | | | | | | | |
| AFDC - Aid to Families with Dependent Children | | | | | | | |
| Social Security Blue/green checks | | | SS Claim No. | | | | |
| Social Security Blue/green checks | | | SS Claim No. | | | | |
| SSI - Supplemental Security income Gold Checks | | | SS Claim No. | | | | |
| SSI - Supplemental Security income Gold checks | | | SS Claim No. | | | | |
| GENERAL ASSISTANCE | | | | | | | |
| VETERANS BENEFITS | | | VA Claim No. | | | | |
| PENSIONS or RETIREMENT INCOME | | | | | | | |
| Unemployment or Worker's Compensation | | | | | | | |
| Child Support and Alimony | | | | | | | |
| MONEY from Friends/relatives other than *loans* | | | | | | | |
| INTEREST INCOME | | | | | | | |
| UTILITY ASSISTANCE CHECK | | | | | | | |
| OTHER - *Specify* | | | | | | | |

[illegible]

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## 7. STUDENTS

Please complete the section below for any students in your household who are:
(1) Betwen the ages of 18 and 60. (2) Physically and mentally fit. (3) Not in high school.

| NAME of STUDENT | NAME of SCHOOL | Number of Class Hours Per Week | |
|---|---|---|---|
| 1 | | | |
| 2 | | | |

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▶ Enter appropriate Eligible Status Code letter ▼

**STATUS CODES**

A. = Responsible for care of dependent minor household member
B. = Disabled or under age 18 or over age 59
C. = Employed at least 20 hours per week
D. = Enrolled in a federally financed work study program
E. = Receiving AFDC benefits
F. = Less than half-time student or not attending institution of higher education
G. = Ineligible student

☐ YES ☐ NO Are there any students in your household who receive educational grants, scholarships or loans? *If YES complete the following.*

| NAME of STUDENT | NAME of SCHOOL | Total amount received | Months covered by this amount |
|---|---|---|---|
| 1 | | $ | |
| 2 | | $ | |

$ .................... How much of the grants, scholarships or loans are used to pay tuition or fees charged by the school? *Do not include expenses that are not charged by the school, such as textbooks or transportation to school.*

**TOTAL monthly grants, loans and scholarships after deducting tuition and mandatory fees.**

[illegible] $ ..............................

## 8. MEDICAL COSTS - *If a member of your household is 60 years of age or over, or is receiving SSI, VA, or Social Security disability payments, list his/her medical costs here.*

| COSTS | YES | NO | PERSON(s) RECEIVING the SERVICE | $ AMOUNT of COSTS | How often is each pymt. due? | MONTHLY AMOUNT |
|---|---|---|---|---|---|---|
| DOCTOR/DENTIST BILLS | | | | | | |
| HOSPITAL or NURSING CARE | | | | | | |
| Prescriptions/Auth over-the-counter medication | | | | | | |
| Glasses/Dentures Hearing aids/ Seeing-eye dog, etc | | | | | | |
| Home health care (attendant, health aids, housekeeper, etc.) | | | | | | |
| Other medical costs (health & hosp. ins., medicare premiums) | | | | | | |
| Transportation costs necessary to secure medical treatment | | | | | | |
| Other - Specify | | | | | | |

☐ YES ☐ NO Does anyone outside the household help pay these expenses? *If YES, complete the following.*

| NAME | EXPENSE PAID | AMOUNT PAID |
|---|---|---|
| 1 | | |
| 2 | | |

☐ YES ☐ NO Does anyone have medicaid, medicare, or private medical insurance to help pay these expenses? *If YES, give details below.*

DO NOT round cents on medical costs until totaled.

TOTAL Monthly medical costs

56 $ ..............................

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**9. DEPENDENT CARE**

| | | | |
|---|---|---|---|
| ☐ YES ☐ NO | Does anyone in your household pay for someone to babysit or care for a child or disabled adult, so that a member can get work or training or look for a job? *If YES, complete the following.* | | |
| **NAME OF CARE PROVIDER** | **ADDRESS TELEPHONE NUMBER** | **AMOUNT PAID** | **HOW OFTEN?** |
| | Phone # | | |
| | Phone # | | |

**▶ FOR COUNTY OFFICE USE ONLY**

TOTAL monthly dependent care costs

$

**10. SHELTER**

*Please check the blocks to show your shelter arrangement.*
*Check as many as necessary.*

| | | |
|---|---|---|
| ☐ HOUSE | ☐ OWN | ☐ RENTING |
| ☐ MOBILE HOME | ☐ BUYING | ☐ RENT-FREE |

*Please list the amount your household is billed for each of the following items.*

| SHELTER COSTS | AMOUNT | How often is each payment due? | MONTHLY AMOUNT |
|---|---|---|---|
| HOUSE-RENT OR MORTGAGE PAYMENT | $ | | |
| MOBILE HOME - RENT OR LOAN PAYMENT | | | |
| MOBILE HOME LOT RENT | | | |
| PROPERTY TAXES *if not included in mortgage* | $ | | |
| INSURANCE on SHELTER *if not included in mortgage* | $ | | |

| | |
|---|---|
| ☐ YES ☐ NO | Does anyone outside your household pay or help you pay any part of the shelter bills you have listed above? |
| *If YES which bills do they pay?* | |
| How much do they pay? | $ |

[illegible]

[illegible]

[illegible] $

[illegible] $

[illegible]

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## 11. UTILITIES

**Check the box next to the utility costs you pay and list the amount you are billed. If you don't list the amount you are billed, we will use a standard amount to compute your benefits. But, if your utility bills are higher than our standard amount, listing them below may help you receive more food stamps.**

| UTILITY COSTS | | AMOUNT | How often do you get a bill or have this expense? | MONTHLY AMOUNT |
|---|---|---|---|---|
| 1. TELEPHONE (basic rate) | ☐ | $ | | |
| 2. ELECTRICITY | ☐ | $ | | |
| 3. GAS for heating and cooking | ☐ | $ | | |
| 4. OIL | ☐ | $ | | |
| 5. WATER and SEWERAGE | ☐ | $ | | |
| 6. GARBAGE and TRASH | ☐ | $ | | |
| 7. OTHER (coal, wood) | ☐ | $ | | |

☐ YES ☐ NO Does anyone outside your household pay or help you pay any of the utility bills you have listed above?

If YES, which bills do they pay? Circle appropriate numbers 1 2 3 4 5 6 7

How much do they pay? $

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[illegible]

[illegible]

TOTAL Utility costs, if greater than standard 11 $

TOTAL Other shelter expenses $

## 12. AUTHORIZED REPRESENTATIVE

You can authorize someone outside your household to get your food stamps for you or to use them to buy food for you.
If you would like to authorize someone, write the person's name.

NAME

TELEPHONE NO.

ADDRESS No. Street/PO Box/R. Rt.

City State Zip Code

### Your Racial - Ethnic Heritage

We would like you to tell us your racial or ethnic identity although you do not have to. This information is being collected only to be sure that everyone receives food stamps on a fair basis. **This information will not affect your eligibility.**

- ☐ Black - not of Hispanic origin
- ☐ Hispanic
- ☐ Asian or Pacific Islander
- ☐ American Indian or Alaskan Native
- ☐ White - not of Hispanic origin

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## PENALTY WARNING

ANY MEMBER OF YOUR HOUSEHOLD WHO INTENTIONALLY BREAKS ANY OF THE FOLLOWING RULES CAN BE BARRED FROM THE FOOD STAMP PROGRAM FOR 6 MONTHS AFTER THE FIRST VIOLATION, 12 MONTHS AFTER THE SECOND VIOLATION, AND PERMANENTLY FOR THE THIRD VIOLATION. THE INDIVIDUAL CAN ALSO BE FINED UP TO $10,000, IMPRISONED UP TO 5 YEARS, OR BOTH. A COURT CAN ALSO BAR AN INDIVIDUAL FOR AN ADDITIONAL 18 MONTHS FROM THE FOOD STAMP PROGRAM. THE INIDIVIDUAL MAY ALSO BE SUBJECT TO FURTHER PROSECUTION UNDER OTHER APPLICABLE FEDERAL LAWS.

DO NOT trade or sell food stamps or authorization cards.

DO NOT give false information, or hide information to get or continue to get food stamps.

DO NOT alter authorization cards to get food stamps your're not intitled to receive.

DO NOT use food stamps to buy ineligible items, such as alcoholic drinks and tobacco.

DO NOT use someone else's food stamps or authorization cards for your household.

## APPLICANTS STATEMENT of AGREEMENT and UNDERSTANDING

THE INFORMATION PROVIDED ON THIS FORM WILL BE SUBJECT TO VERIFICATION BY FEDERAL, STATE AND LOCAL OFFICIALS. IF ANY IS FOUND INACCURATE, YOU MAY BE DENIED FOOD STAMPS AND/OR BE SUBJECT TO CRIMINAL PROSECUTION FOR KNOWINGLY PROVIDING FALSE INFORMATION.

I agree to provide information needed to determine eligibility for assistance for my self and my household. I understand that I may have to provide documents to prove what I've said. I agree to do this. If documents are not available, I agree to give the name of a person or organization the food stamp office may contact to obtain the necessary proof and hereby give permission to contact the person or organiation.

I understand information given to the Department is needed to determine eligibility for assistance. I understand all information given to the Department is confidential and any use or disclosure will be made only for certain limited purposes allowed under state or federal laws and regulations. Such purposes include, but are not limited to establishing eligibility, determining amount of assistance and for providing services to applicants and recipients.

RESPONSIBILITY to REPORT CHANGES—I understand the information which I have provided on this application is the basis for determining my eligibility for assistance. I understand if my situation changes, so that information which I have provided previously to the Department is no longer correct, I must report the new information to my worker within ten (10) days of the day I know of it. I understand I must report when:

- My household changes, i.e., someone moves in or out of the home where I live;
- My household income changes—this includes increases and decreases of more than $25, or in the source of income;
- Medical costs, for member(s) of my household 60 years of age or older, or receiving SSI, VA, or Social Security disability payments, increase or decrease by more than $25 per month;
- Changes in residence and the resulting change in shelter costs;
- The acquisition of any vehicle;
- When cash on hand, stocks, bonds and money in a checking or savings account reach or exceed a total of $1500.
- ANY change from the information given on this application which occurs after the interview but before I receive a notice of eligibility.

I understand the responsibility for reporting changes is completely mine and no other person or agency has this responsibility. I understand I may be subject to legal or administrative action for recovery of amounts of food stamps to which I am not entitled.

I understand the questions in this form. I have asked for and I have been given an explanation of any question which I did not understand. I understand the penalty for hiding or giving false information or breaking any of the rules listed in the Penalty Warning.

I understand that my household will be ineligible for benefits if I refuse to cooperate in completing the application process or in any subsequent reviews of my eligibility, including reviews resulting from reported changes, recertifications, or as part of a Quality Control Review.

My answers are correct and complete to the best of my knowledge.

I understand I, or any household member, or my representative, may request a fair hearing, either orally or in writing if I disagree with any action taken on my Food Stamp Application. My case may be presented at the hearing by any person I choose.

I understand the work registration/job search requirements and that my household may be disqualified for failure to cooperate.

**I have read and understand this statement, or it has been read and explained to me.**

| | | |
|---|---|---|
| Recipient's Signature | DATE SIGNED | WITNESS — *if you signed with an X* |

We will consider this application without regard to race, sex, age, handicap, religion, national origin, or political belief.

FOR COUNTY OFFICE USE ONLY / APPLICATION DISPOSITION - [illegible]

| | |
|---|---|
| ☐ YES Is anyone eligible for Meals on Wheels<br>☐ NO or communal dining? | If approved<br>Certification period from / / to / / |
| ☐ APPROVED<br>☐ DENIED<br>☐ PENDING | Reason Denied<br>Reason Pending |
| Worker's signature | Date |

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The eligibility worker must assemble data about the household that will be sufficient to determine income eligibility, eligibility for various special deductions, and other necessary information. The names and social security numbers of all household members are required as a condition of eligibility. This proves instrumental in verifying a number of factors, especially income reported by the household.

All income of household members must be reported.

Information on monthly household expenses, especially rent (or mortgage payments) must be furnished as well as information on utilities, child care expenses, and, in the case of elderly and disabled households, and, in the case of elderly and disabled households, medical expenses if the household is to be able to deduct these expenses. (NOTE.—Most States provide recipients with the option of using a standard utility allowance in lieu of proving actual expenses. See section entitled "Deductions and Benefit Calculations" for further description of standard utility allowances.)

Several pilot projects are currently underway to test simplified methods of household certification and benefit determination. In these tests, households have their food stamp eligibility determined using information contained in their AFDC, SSI, or Medicaid application in lieu of completing a food stamp application. These projects are being carried on for certain categories of recipients in Illinois and Oklahoma, and Fresno and San Diego Counties in California. The Illinois study is also testing the use of standardized benefits based on such factors as county of residence, household size, whether the household contains elderly or disabled members and whether earned income equals $75 or more per month. A report on the pilot project is due in 1985.

While the typical means of application is that of a personal interview, several other options are available to those unable to be physically present in the food stamp office.

Special certification procedures are available for the elderly, physically or mentally handicapped, and persons unable to appear in person because of transportation difficulties. Such special procedures may include telephone contact and home visits for the purpose of taking information needed for proper certification. Additionally, such individuals may be represented by others who will make application on their behalf, so-called authorized representatives. These authorized representatives may represent the individual not only in the certification process, but also in coupon issuance and in actual food purchases at the grocery store.

Usually, the household is certified for a period of several months, the length of which depends on the likelihood of changing household circumstances. Households with relatively stable financial circumstances would get longer certification periods than would those with unstable circumstances, who would receive short periods. For instance, households comprised primarily of elderly and disabled members are often certified for as long as 12 months, because their income and expenses remain relatively stable. Typically, other households would be certified for 6 month periods, which is the same as the certification period in the Aid to Families with Dependent Children Program. However, shorter certification periods are also used in some cases.

After initial approval of the application, the household's personal contact with the food stamp office is usually minimal. Certain households, primarily larger households (six or more members) and those with earned income, are required to file a monthly report of their household circumstances. This enables the food stamp office to determine whether any of the factors on which the level of benefits is based—income, household size, and various aspects of the deductions—have changed in such a way as to affect the level of monthly benefits. For instance, if a household reports increased income, a subsequent month's benefits will reflect that fact through reduced benefits. By the same token, if household income is reduced, benefits in the following month will increase.

For many years, households were responsible for voluntarily reporting changes in their circumstances that would affect benefits. However, in practice, households often did not report such changes, either because they forgot, did not realize it was an important consideration, or sought to conceal such changes. The monthly reporting requirement targets those households most likely to have changes and requires that they submit information on a monthly basis.

Other households remain under the prior system of reporting changes as they occur—so-called incidence reporting. (NOTE.—States submit those categories of households for which they believe monthly reporting is not cost effective to the Secretary of Agriculture. The Secretary may grant waivers in such cases from the monthly reporting requirement. Typically, the Department of Agriculture has found that monthly reporting is most effective in identifying changing household circumstances with larger households and those with earned income.)

Nationally, about 33 percent of all households are required to report monthly. Approximately one-third of the States are requiring monthly reporting for more than 50 percent of the caseload. The following table, furnished by the Department of Agriculture, indicates the percentage of households required to submit monthly reports in each State as of October 1984.

*Households required to submit monthly reports, fall 1984*

| State | Percent |
|---|---|
| Northeast: | |
| Connecticut | 3.4 |
| Maine | 35.0 |
| Massachusetts | 18.5 |
| New Hampshire | 16.3 |
| New York | 16.3 |
| Rhode Island | 12.3 |
| Vermont | 10.3 |
| Mid-Atlantic: | |
| Delaware | 40.0 |
| District of Columbia | 18.8 |
| Maryland | 8.0 |
| New Jersey | 19.0 |
| Pennsylvania | 15.0 |
| Virginia | 11.9 |
| Virgin Islands | 16.7 |
| West Virginia | 17.4 |
| Southeast: | |
| Alabama | 6.0 |
| Florida | 11.0 |

| *State* | *Percent* |
|---|---|
| Georgia | 18.0 |
| Kentucky | 7.6 |
| Mississippi | 33.0 |
| North Carolina | 12.8 |
| South Carolina | 9.8 |
| Tennessee | 7.4 |
| Midwest: | |
| Illinois | 14.6 |
| Indiana | 46.0 |
| Michigan | 85.5 |
| Minnesota | 63.0 |
| Ohio | 52.0 |
| Wisconsin | 31.6 |
| Southwest: | |
| Arkansas | 10.4 |
| Louisiana | 22.5 |
| New Mexico | 66.0 |
| Oklahoma | 34.0 |
| Texas | 14.5 |
| Mountain Plains: | |
| Colorado | 24.3 |
| Iowa | 50.0 |
| Kansas | 54.0 |
| Missouri | 41.0 |
| Montana | 85.9 |
| Nebraska | 55.6 |
| North Dakota | 88.6 |
| South Dakota | 74.0 |
| Utah | 42.0 |
| Wyoming | 81.0 |
| Western: | |
| Alaska | 94.0 |
| Arizona | 30.0 |
| California | 94.3 |
| Guam | 87.4 |
| Hawaii | 85.0 |
| Idaho | 85.2 |
| Nevada | 61.0 |
| Oregon | 70.0 |
| Washington | 43.0 |
| USA | 33.0 |

Source: U.S. Department of Agriculture.

Retrospective budgeting, also known as retrospective accounting, is closely associated with monthly reporting.

Prior to January 1, 1984, States had the option of using one of two budgeting or accounting systems for purposes of determining household income for food stamp purposes. Most States used a prospective, or anticipatory, system. This method requires that the food stamp eligibility worker estimate a household's income in the months for which the household is being certified—normally 3 months or more—using past income, present circumstances, and other information as a guide. If, for example, a household has recently lost its income, past income may be ignored as an indicator of future income in the certification period. Expected future income is often estimated as presented by the household, unless there is reason to question the household's claims.

Since January 1, 1984, most households are required to use retrospective budgeting, the system that had, prior to that time, been the other option available to States. Under retrospective budgeting, the income actually received by the household in a past month, or similar measuring period, is used as the income base for the calculation of eligibility and benefits in the certification period, rather than an estimate as to anticipated future income, except in cases where, for consistency with AFDC procedures, eligibility and benefits are calculated prospectively for the initial months of participation. (NOTE.—Prospective accounting is still the case for determining eligibility, but retrospective is generally used for determining benefits.)

Retrospective budgeting generally provides more accurate and verifiable information on household income, and hence, a more accurate computation of the household's food stamp eligibility and benefits. The prospective accounting system, that has been the rule in the Food Stamp Program in the past, leaves too much room for error and abuse. However, neither retrospective budgeting nor monthly reporting is as crucial to accuracy in benefit determination for households with stable, fixed incomes. Hence, in 1982, greater latitude was granted to the Secretary of Agriculture to exempt certain categories of households where the State agency requested an exemption based on the expectation that inclusion in monthly reporting would not be cost effective. Additionally, households in which all adult members are elderly or disabled and have no earned income are exempt from retrospective accounting requirements. The 1982 provision did not initially provide such a similar waiver from retrospective budgeting. However, legislation enacted in 1983 (Public Law 98-204) did establish a comparable waiver authority for retrospective budgeting. In practice, the Secretary of Agriculture has always granted a waiver for retrospective budgeting, when sought, for categories of recipients for which he has granted a waiver from monthly reporting.

Additionally, the waiver authority for retrospective accounting permits the Secretary to waive, at the State's request, any provision concerning retrospective accounting so that income for purposes of the Food Stamp Program can be calculated on the same basis as income for AFDC in that State. (Most States use retrospective accounting in their AFDC Programs.)

As soon as the welfare agency receives specific information from the household that household income, or other circumstances have changed, warranting change in benefits, the agency may take action to reduce or terminate benefits immediately.

The food stamp statute requires State agencies to notify each participating household that the household's certification is due to expire a month before the end of the household's eligibility. The household is then able to begin procedures for renewing its certification to participate in the program. The "recertification" process is similar in most respects to the initial application process.

Food stamp regulations have required that local caseworkers establish contact with households that fail to appear at a scheduled certification or recertification interview in order to reschedule the interview. However this regulatory requirement is now under review.

While the State agency is responsible for notifying recipients of the need for recertification, problems have been identified in the past. The Office of Inspector General reported on November 3, 1982, that in 17 States where the OIG had conducted a review, food stamps totaling almost $30 million were issued to households whose eligibility for continued participation in the program had not been reestablished, but rather had been automatically extended, or rolled over. (See "Food and Nutrition Service Food Stamp Program Extended (Rollover) Certifications," Office of Inspector General, Nov. 3, 1982.)

The General Accounting Office indicated in testimony in 1984 that it is now reviewing the redetermination of eligibility process for both the Food Stamp and AFDC Program. (See "Oversight of Food and Nutrition Service Programs: Food Stamps, Child Nutrition, and Commodity Distribution," Apr. 25, 1984, Senate Committee on Agriculture, Nutrition, and Forestry.)

### THRIFTY FOOD PLAN AND MONTHLY BENEFIT LEVELS

Once eligibility for the Food Stamp Program is determined, the level of benefits must be calculated. There are several basic components that ultimately will determine the amount of a household's monthly food stamp benefits:

First, the value of the thirifty food plan itself, and specifically the plan's value for the uniform, four-person household used for calculating food stamp benefits.

Second, the size of the household.

Third, household income after various deductions (discussed in the following section entitled "Deductions and Benefit Calculations").

Monthly food stamp benefits are based on the cost of the "thrifty food plan." This food plan is the least costly of the four-family food plans devised by the Department of Agriculture. It has been the basis of food stamp monthly allotments since January 1976, by regulation, and, by statute, since enactment of the Food Stamp Act of 1977.

The thrifty food plan is a research-based set of economical and nutritious diets that, insofar as possible, reflects food choices of households with limited food budgets. It is composed of an assortment of foods that represents as little change from average food consumption of persons in U.S. households with relatively low food costs as was required to provide a nutritious diet while controlling costs.

The thrifty food plan specifies the amounts of foods of different types (food groups) that households might buy, or obtain from other sources, to provide nutritious meals and snacks for household members. In the plan, amounts of food groups are suggested for men, women, and children of different ages as follows:

## THRIFTY FOOD PLAN, 1983: QUANTITIES OF FOOD FOR A WEEK [1]

(In pounds [2])

| Food group [3] | Child (years) | | | | Male (years) | | | | Female (years) [4] | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1–2 | 3–5 | 6–8 | 9–11 | 12–14 | 15–19 | 20–50 | 51 and over | 12–19 | 20–50 | 51 and over |
| Vegetables, fruit: | | | | | | | | | | | |
| Potatoes (fresh weight) | 0.47 | 0.82 | 1.04 | 1.11 | 1.29 | 2.22 | 1.50 | 1.55 | 1.27 | 1.16 | 0.90 |
| High-nutrient vegetables | .52 | .67 | 1.05 | 1.17 | 1.65 | 1.08 | 1.61 | 1.52 | 1.14 | 1.91 | 2.28 |
| Other vegetables | .60 | .70 | .97 | 1.25 | 1.35 | 1.15 | 1.86 | 1.33 | 1.08 | 2.68 | 2.03 |
| Mixtures, mostly vegetables; condiments | .01 | .02 | .05 | .07 | .02 | .06 | .13 | .06 | .07 | .02 | .02 |
| Vitamin-C-rich fruit [5] | 1.19 | 1.24 | 1.32 | 1.62 | 1.08 | 1.17 | 1.13 | 1.00 | 2.02 | 1.73 | 1.35 |
| Other fruit [5] | .97 | .92 | 1.61 | 1.86 | 1.11 | 1.04 | 1.20 | 1.41 | 1.30 | .93 | 1.37 |
| Grain products: | | | | | | | | | | | |
| Whole-grain/high-fiber breakfast cereals [5] | [6] .44 | .33 | .17 | .24 | .38 | .27 | .17 | .13 | .30 | .12 | .17 |
| Other breakfast cereals | [6] .30 | .27 | .19 | .26 | .05 | .12 | .21 | .12 | .39 | .19 | .27 |
| Whole-grain/high-fiber flour, meal, rice, pasta | .11 | .14 | .12 | .11 | .20 | .22 | .15 | .21 | .16 | .15 | .18 |
| Other flour, meal, rice, pasta | .88 | 1.23 | 1.85 | 1.73 | 2.15 | 2.34 | 1.81 | 1.87 | 1.32 | 1.81 | 1.32 |
| Whole-grain/high-fiber bread | .09 | .10 | .09 | .11 | .15 | .17 | .24 | .21 | .21 | .34 | .29 |
| Other bread | .38 | .65 | 1.01 | 1.27 | 1.68 | 1.33 | 1.85 | 1.33 | 1.04 | .59 | .29 |
| Bakery products, not bread | .06 | .10 | .42 | .58 | .19 | .43 | 56 | .30 | .36 | .12 | .10 |
| Grain mixtures | .08 | .06 | .07 | .11 | .02 | .13 | .23 | .15 | .31 | .37 | .19 |
| Milk, cheese, cream: | | | | | | | | | | | |
| Milk, yogurt (quarts) [7] | 3.42 | 3.06 | 3.39 | 4.17 | 3.99 | 3.91 | 2.00 | 1.63 | 4.36 | 2.37 | 2.17 |
| Cheese | .04 | .05 | .08 | .11 | .11 | .11 | .13 | .12 | .27 | .29 | .32 |
| Cream, mixtures mostly milk | .15 | .15 | .34 | .30 | .10 | .24 | .41 | .26 | .35 | .03 | .26 |

| | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Meat and alternates: | | | | | | | | | | | |
| Lower-cost red meats, variety meats | .93 | .69 | .70 | .92 | 1.20 | 1.49 | 1.40 | 1.73 | 1.75 | 1.60 | 1.95 |
| Higher-cost red meats, variety meats | .15 | .11 | .13 | .19 | .18 | .26 | .39 | .54 | .20 | .35 | .55 |
| Poultry | .35 | .48 | .64 | .70 | .90 | .90 | .96 | .71 | .20 | .95 | .70 |
| Fish, shellfish | .02 | .02 | .02 | .03 | .03 | .02 | .04 | .04 | .04 | .04 | .04 |
| Bacon, sausage, luncheon meats | .18 | .32 | .31 | .24 | .26 | .27 | .56 | .49 | .24 | .45 | .45 |
| Eggs (number) | 3.00 | 2.90 | 1.90 | 2.50 | 2.20 | 3.10 | 4.10 | 4.30 | 4.10 | 4.40 | 4.10 |
| Dry beans, peas, lentils (dry weight)[8] | .27 | .18 | .18 | .24 | .59 | .58 | .45 | .59 | .35 | .41 | .43 |
| Mixture, mostly meat, poultry, fish, egg, legume | .05 | .06 | .01 | .01 | .02 | .03 | .13 | .15 | .20 | .13 | .15 |
| Nuts (shelled weight), peanut butter | .09 | .24 | .13 | .15 | .37 | .14 | .17 | .22 | .09 | .28 | .08 |
| Other foods: [3] | | | | | | | | | | | |
| Fats, oils | .14 | .33 | .58 | .67 | .73 | .93 | .76 | .60 | .22 | .28 | .21 |
| Sugar, sweets | .10 | .36 | .78 | .87 | 1.20 | .95 | 1.01 | .76 | .31 | .21 | .22 |
| Soft drinks, punches, ades (single strength) | .39 | .57 | 65 | .87 | .87 | 1.51 | 1.17 | .32 | 1.12 | .40 | .38 |

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[1] Quantities are for food as purchased or brought into the household from garden or farm. Food is for preparation of all meals and snacks for a week. About 5 percent of the edible parts of food is assumed to be discarded as plate waste, spoilage, etc.

[2] Quantities in pounds except milk, which is in quarts and eggs, which are by number.

[3] See table 3 for foods in food groups.

[4] Pregnant and lactating females usually requires added nutrients and should consult a doctor for recommendations about diet and supplements.

[5] Frozen concentrated juices are included as single strength juices.

[6] Cereal fortified with iron is recommended.

[7] Quantities of dry and evaporated milk and yogurt included as their fluid whole milk equivalents in terms of calcium content.

[8] Count one pound of canned dry beans—pork and beans, kidney beans, etc.—as 0.33 pounds.

[9] Small quantities of coffee, tea, and seasonings are not shown. Their cost is a part of estimated cost for the food plan.

Source: U.S. Department of Agriculture.

A plan for any household can be determined by totaling the amounts suggested for persons of the sex and age of household members.

### *How the thrifty food plan was developed*

Data from the USDA Household Food Consumption Survey of 1977–78, the most recent such data available, was used to develop the current thrifty food plan. In developing the plan, minimal changes in average consumption patterns required to meet nutritional and cost constraints were systemically identified. Generally, reductions from observed consumption patterns were made in quantities of meat, poultry, fish, bakery products, milk products, eggs, sugar, and sweets. Increases over observed consumption patterns were made in quantities of potatoes, dry beans, fruits, vegetables, and grain products. The following shows how food in the thrifty food plan compares with average food consumption patterns for one person within a four-person household, the more recent survey conducted in spring 1977, and the original 1975 thrifty food plan.

(In pounds, as purchased)

| Food group | Consumption pattern (1977–78) | TFP 83 | TFP 75 |
|---|---|---|---|
| Potatoes (fresh weight) | 4.7 | 4.8 | 6.2 |
| Other vegetables, fruit | 22.7 | 24.2 | 20.6 |
| Cereal, flour | 5.3 | 9.3 | 7.3 |
| Bread | 4.2 | 5.5 | 6.9 |
| Other bakery products | 2.9 | 2.5 | 3.9 |
| Milk, cheese, ice cream (milk equivalent in quarts) | 15.4 | 14.2 | 14.5 |
| Meat, poultry, fish | 17.2 | 10.9 | 8.3 |
| Eggs (number) | 16.5 | 12.9 | 13.8 |
| Dry beans, peas, nuts (dry, shelled weight) | 1.1 | 2.0 | 1.7 |
| Fats, oils | 2.2 | 2.3 | 2.6 |
| Sugar, sweets | 3.8 | 2.9 | 3.6 |
| Cost (January 1981)[1] | $68.53 | $55.37 | $55.37 |

[1] Includes cost of coffee, tea, soft drinks, punches, ades, seasonings as well as foods listed.

Source: U.S. Department of Agriculture.

### *Nutritive value of thrifty food plan*

The current thrifty food plan provides for nutritious diets. It was designed in 1983 to provide or come close to providing the recommended dietary allowances [RDA's] set in 1980 by the National Academy of Sciences-National Research Council for protein, calcium, iron, magnesium, vitamin A, thiamin, riboflavin, niacin, vitamin B6, vitamin B12, zinc, folacin, vitamin E, and vitamin C. To meet their iron allowances, young children, teenage girls, and women of child-bearing age frequently will need to select foods that provide important amounts of iron, such as liver, heart, kidney, economical lean meats, dry beans, dry peas, dark-green vegetables, dried fruits, cereals with added iron, and molasses. Such special selections are also necessary for meeting allowances for iron in the more expensive food plans—low cost, moderate cost, and liberal.

Levels of vitamin B6 and the magnesium in the thrifty food plan for a few sex-age categories were below the RDA but above levels in usual consumption patterns. Insufficient reliable information was available on the content in foods of three other nutrients for which allowances were set in 1980—vitamin E, folacin, and zinc. As a result, levels were set at 80 percent of the RDA. The plan also is limited to moderate amounts of fat, cholesterol, caloric sweeteners, and sodium.

In developing the thrifty food plan, estimates were not made of levels provided by the plan of some nutrients for which there are recommended dietary allowances. Phosphorus levels were not calculated, but are known to be well above the allowances in most U.S. diets. The use of iodized salt is recommended as an efficient way to supplement dietary iodine. The requirement for vitamin D for normal persons can be met by exposure to sunlight. However, for infants and elderly persons whose activities limit their exposure to sunlight, the allowance can be provided in the diet by such foods as eggs, liver, butter, and milk fortified with vitamin D or by supplementation.

A thrifty food plan developed to meet the RDA would be expected to provide generous amounts of nutrients for most persons. The National Research Council of the National Academy of Sciences states that the basis for the RDA is such that "even if a person habitually consumes less than the recommended amounts of some nutrients, his diet is not necessarily inadequate for those nutrients." Although USDA uses the RDA as a standard in developing food plans, it recognizes that failing to meet the RDA does not necessarily imply dietary inadequacy. Indeed, nationwide studies show that very few people—rich or poor—have diets every day that meet the RDA for all nutrients.

Fat provides 35 percent or less of energy in the thrifty food plan. Sugars, other than found naturally in foods in the plan, provide 12 percent or less of energy—less than levels in consumption patterns used as the basis for the plan. Cholesterol levels do not exceed 350 mg per day.

A food list for a family of four for a month illustrates the kinds and amounts of foods used in estimating the cost for the plan. In this illustration, the plan provides 24½ pounds of red meat and 14 pounds of poultry, despite the fact that chicken is historically a more economical source of protein than most types of red meat. This occurs because cost is only one of three factors in determining food choice. The nutritional content of the plan and its similarity to consumption patterns must also be considered.

### THRIFTY FOOD PLAN 1983: FOOD LIST FOR A MONTH [1]

| | |
|---|---|
| Potatoes | 20¾ lb |
| Carrots, fresh | 1¾ lb |
| Tomatoes, fresh | 2¾ lb |
| Cabbage, fresh | 5 lb |
| Lettuce | 4¼ lb |
| Celery, fresh | 1 lb |
| Onions, mature, fresh | 3 lb |
| Other vegetables, fresh | 12½ lb |
| Leafy greens, canned | ¾ lb |
| Tomatoes, tomato products, canned | 2½ lb |
| Other breakfast cereals | 3¾ lb. |
| Whole-grain/high-fiber flour, meal, rice, pasta | 2¼ lb. |
| Other flour, meal, rice, pasta | 31¼ lb. |
| Whole-grain/high-fiber bread | 3½ lb. |
| Other bread | 20½ lb. |
| Bakery products, mixtures mostly grain | 10¾ lb. |
| Milk, yogurt | 51¾ qt. |
| Cheese | 2¾ lb. |
| Cream, ice cream, other mixtures | 4¾ lb. |
| Soups | 2½ lb. |

## THRIFTY FOOD PLAN 1983: FOOD LIST FOR A MONTH [1]—Continued

| | | | |
|---|---|---|---|
| Snap beans, canned | 3½ lb | Meat, variety meats | 24½ lb. |
| Corn, canned | 4¾ lb | Poultry | 14 lb. |
| Green peas, canned | 2¼ lb | Fish, shellfish | 2 lb. |
| Other vegetables, canned and dry | 4½ lb | Bacon, sausage, luncheon meats | 6¾ lb. |
| Leafy greens, frozen | ½ lb | Mixtures, mostly meat and alternates | 1¼ lb. |
| Other vegetables, frozen | 2 lb | Eggs | 4⅔ doz. |
| Vegetable juices, canned and frozen | 1¼ lb | Dry beans | 4¼ lb. |
| Citrus fruit, fresh | 11 lb | Mature beans, canned | 3¾ lb. |
| Apples, fresh | 9 lb | Peanut butter | 2¼ lb. |
| Bananas, fresh | 6 lb | Nuts (shelled weight) | 1 lb. |
| Other fruit, fresh | 2 lb | Margarine, butter | 4 lb. |
| Fruit, canned | 3½ lb | Shortening, oil, salad dressing | 6 lb. |
| Fruit juice, canned | 7¼ lb | Sugar | 7¾ lb. |
| Fruit and fruit juice, frozen (single strength basis). | 23¼ lb | Other sweets | 4¾ lb. |
| Fruit, dried | ¼ lb | Soft drinks, punches, ades | 6¼ qt. |
| Whole-grain/high-fiber breakfast cereals | 3 lb | | |

[1] Provides for the food needs for a 4-person household (man and woman 20–50 and children 6–8 and 9–11 years of age). In addition to foods listed, most families use some other foods: coffee, tea, cocoa, leavening agents, and seasonings. Approximately 1 percent above the cost of the foods on the list is allowed for purchase of these foods when costs for the plan are estimated.

Source: U.S. Department of Agriculture.

The following sample menus for 2 weeks show how foods in the thrifty food plan can be combined into appetizing and nutritious meals according to the Department of Agriculture:

# Menus

## Week 1: Menus for a Family of Four

| | SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|---|---|---|---|---|---|---|---|
| BREAKFAST | Grapefruit sections (1 can)<br>Scrambled eggs (3)<br>Cinnamon toast (6 sl) | Orange (2) quarters<br>Ready-to-eat cereal (6 oz)<br>Toast (5 sl) | Orange juice (2 c)<br>Farina (3/4 c dry)<br>Coffee cake (1/2) | Bananas (2)<br>Ready-to-eat cereal (6 oz)<br>Toast (5 sl) with peanut butter (4 T) | Apple (2) wedges<br>Pancakes*<br>Sirup (6 T)<br>Pork sausage (1/2 lb) | Pear (1) slices<br>Ready-to-eat cereal (6 oz)<br>Biscuits (8) | Orange juice (2 c)<br>Pork sausage (1/2 lb)<br>Grits (1 c dry)<br>Muffins (6) |
| LUNCH | Quick macaroni and cheese*<br>Creole beans*<br>Toast (6 sl) | Peanut butter-banana sandwiches*<br>Celery sticks (3/4 c)<br>Chocolate pie (1/2) | Pork and cabbage soup*<br>Toasted corn-bread (1/2)<br>Oatmeal cookies* | Frankfurters on rolls (4)<br>Potato salad* | Turkey noodle soup*<br>Biscuits* (8)<br>Pear (2) quarters | Peanut butter-vegetable sandwiches*<br>Apples (2)<br>Rice pudding* | Egg salad (3 eggs, 2 T celery, 1 T onion, 1 T salad dressing) sandwiches (4)<br>Kidney bean salad* |
| DINNER | Roast pork with gravy*<br>Mixed vegetables<br>Baked potatoes (1-1/3 lb)<br>Bread (5 sl)<br>Chocolate pie* (1/2) | Sweet-sour pork*<br>Rice (3/4 c dry)<br>Green beans<br>Cornbread* (1/2) | Spinach lasagna*<br>Garlic rolls (4) (use hot dog rolls)<br>Orange fluff* | Braised turkey with gravy*<br>Vegetable fried rice*<br>Bread (5 sl)<br>Peach cobbler* | Bean tamale pie*<br>Toast (6 sl)<br>Cottage cheese (1 c) with orange (2) sections<br>Quick bread (4 sl) | Turkey-stuffing casserole with gravy*<br>Mashed potatoes (1 lb)<br>Mixed fruit (2 apples, 1 orange, 1/4 c raisins)<br>Quick bread (4 sl) | Mock hamburger stroganoff with potatoes*<br>Corn and cabbage salad*<br>Bread (5 sl) |
| SNACK | Ready-to-eat cereal (6 oz) | Cinnamon coffee cake* (1/2) | Crackers (24)<br>Peanut butter (4 T) | Quick bread (4 sl) | Crackers (24) with cheese (4-1/2 oz)<br>Lemonade (2 c) | Muffins* (6) | Popcorn (1/3 c dry)<br>Lemonade (2 c) |

*Recipe included.

Notes: Amounts of foods that the family is expected to use are shown in parentheses ( ) or in recipes. Beverage is milk for everyone at least once daily. Cookies (9 oz) may be added to meals as an optional dessert.

## Week 2: Menus for a Family of Four

| | SUNDAY | MONDAY | TUESDAY | WEDNESDAY | THURSDAY | FRIDAY | SATURDAY |
|---|---|---|---|---|---|---|---|
| BREAKFAST | Orange (2) quarters<br>Pancakes*<br>Sirup (6 T)<br>Bacon (1/3 lb) | Orange juice (2 c)<br>Eggs (3)<br>Pan fried potatoes*<br>Toast (5 sl) | Bananas (2)<br>Ready-to-eat cereal (6 oz)<br>Toast (5 sl) | Peaches (1/2 can)<br>Scrambled eggs (3)<br>Biscuits (8)<br>Grits (1 c dry) | Grapefruit sections (1 can)<br>Ready-to-eat cereal (6 oz)<br>Peanut butter snack loaf, toasted (4 sl) | Orange juice (2 c)<br>Oatmeal (2-1/3 c dry)<br>Toast (5 sl) | Orange juice (2 c)<br>Cornmeal French toast*<br>Sirup (6 T)<br>Bacon (1/3 lb) |
| LUNCH | Stove-top beans*<br>Macaroni salad*<br>Lettuce wedge (1/3 head) with dressing<br>Garlic toast (6 sl) | Bacon (1/3 lb), lettuce leaves, and tomato (1/3 lb), sandwiches (4)<br>Orange (2) halves | Peanut butter-apple sandwiches*<br>Minestrone soup* (4 c) | Beef-cabbage sandwiches*<br>Potato salad* | Cottage cheese-vegetable salad*<br>Minestrone soup (4 c)<br>Toast (5 sl) | Bolcgna (6 oz) and cheese (3 oz) sandwiches (4)<br>Apple (2) wedges | Tuna pizza*<br>Pear (2) halves |
| DINNER | Beef pot roast with vegetables and gravy*<br>Bread (5 sl)<br>Gingerbread (1/2) | Beef chop suey with rice*<br>Lettuce chunks (1 c) with dressing<br>Bread (6 sl)<br>Gingerbread (1/2) | Liver and onions*<br>Noodles (2-1/4 c dry)<br>Sliced tomatoes (1/2 lb)<br>Biscuits* (8)<br>Carrot-raisin cookies* | Chili macaroni*<br>Fruit cup (1 banana, 1 orange, 1/2 can peaches)<br>Cornmeal muffins* (6)<br>Peanut butter snack loaf* (4 sl) | Chicken and dumplings*<br>Peas<br>Gelatin made with grapefruit sirup and banana (1) slices | Meatballs in sauce with rice*<br>Lettuce wedge (1/3 head) with dressing<br>Muffins* (6)<br>Peanut butter snack loaf (4 sl) | Chicken-apple salad*<br>Green beans<br>Boiled potatoes (1 lb)<br>Muffins (6)<br>Rice pudding* |
| SNACK | Crackers (24)<br>Peanut butter (4 T) | Ready-to-eat cereal (6 oz) | Cottage cheese (1/2 c)<br>Crackers (24) | Cereal snack (4 c)<br>Lemonade (2 c) | Toasted cornmeal muffins (6)<br>Cheese (4-1/2 oz) | Cereal snack (4 c)<br>Lemonade (2 c) | Toast (5 sl) with peanut butter (4 T) |

*Recipe included.
Notes: Amounts of foods that the family is expected to use are shown in parentheses ( ) or in recipes. Beverage is milk for everyone at least once daily. Cookies (9 oz) may be added to meals as an optional dessert.

Source: "Making Food Dollars Count", Home and Garden Bulletin Number 420, Human Nutrition Information Service, U. S. Department of Agriculture

The meals are not expected to suit any family entirely, and households are not required to follow the premises of the thrifty food plan or the weekly menus. However, these meals can be perpared from foods typical of those used by survey households operating on low income budgets. These foods are generally available in stores across the country. The amounts of foods in the sample menus that are served to family members will differ depending on individual food needs. For example, at a meal, young children may eat one-half cup of vegetables and teenagers, three-fourths to 1 cup. Generally, servings of bread and cereals are generous and servings of meat, poultry, and fish are small. Meals for an average day for a man following the thrifty food plan, contain about 1 cup of milk, 7 to 8 ounces of cooked lean meat or alternate such as egg or legumes, 4 to 5 servings of vegetables and fruit, and 12 or more servings of cereal, pasta, and bread and other bakery products.

### *Allowance for food waste*

In developing the plan, the RDA were increased by 5 percent to allow for some discard of edible food without jeopardizing the nutritional quality of the diet. (The discard of inedible parts of food, such as excessive fat and drippings from meat and poultry, peelings and bone, and losses of vitamins in cooking, is allowed for the nutritive values used.) Allowance for edible discard is believed necessary because some edible food is discarded in most homes in the preparation of food, as plate waste, or due to spoilage.

### *How thrifty food plan costs are estimated*

U.S. average costs of foods in the thrifty food plan for individuals in each of the 11 sex-age categories and for selected families are estimated by the Consumer Nutrition Center each month and released by USDA. (Costs for the other three plans—low cost, moderate cost, and liberal—are also estimated.) Average prices paid for almost 2,000 foods by survey households with relatively low food costs are used as the basis for the thrifty food plan estimates. Such prices reflect the assortment of food container sizes and brands, quality of food selected, and price levels of families who purchase food at relatively low cost. Applicable sales taxes are not included. Prices are updated monthly using the Bureau of Labor Statistics' Consumer Price Index survey for the most detailed food groupings.

The June 1984 cost for foods in the thrifty food plan for the four-person household—$264.40 per month—is the basis for the food stamp allotment for four-person households with no income (since November 1984 through September 1985). For smaller and larger households, the maximum allotment is adjusted for the number of household members and for economies associated with buying and using food in large households relative to small ones.

Many households, whether or not they are eligible for food stamps, do not select nutritious assortments of food. Receipt of enough food stamps to buy the thrifty food plan, of course, will not in itself assure that the recipient gets a nutritious diet. Not all food stamp recipients use their stamps to purchase foods as suggested in the plan. Instead, they may make more or less economical and nutritious choices than those in the plan.

The thrifty food plan is but one of many combinations of foods that could be developed at extremely low cost. Amounts of food groups in consumption patterns could be changed in other ways to provide nutritious diets. Other plans at the same or lower cost than the thrifty food plan could be developed if selections of foods within food groups were limited to only those foods which are less expensive, rather than selections typical of those in survey households. However, for purposes of estimating the nutritive value and the cost of a plan for use nationwide, average selections of foods in food groups based on those made by survey families with relatively low food costs have been used.

*Thrifty food plan costs and the cost and quality of U.S. diets*

The Nationwide Food Consumption Survey 1977–78 provides information that shows that 12 percent of households spend at levels below the maximum food stamp allotment level based on the cost of the thrifty food plan. It also shows that although some households spending at the maximum allotment level used food that provides the RDA for 11 nutrients studied, many did not.

In the 1977–78 food consumption survey, the nutritive value of household diets at various cost levels was estimated and compared to the 1974 RDA for 11 nutrients. This is but one of several measures of the nutritional quality of the food stamp allotment level. At the thrifty food plan level, 9 percent used food that met the RDA for 11 nutrients and 33 percent used food that met 80 percent or more of the RDA for 11 nutrients, as shown in the following table:

DIET QUALITY OF HOUSEHOLDS AT 4 FOOD COST LEVELS, 1977–78

| Food cost level [1] | Percent of households using food that furnished— | |
|---|---|---|
| | 1974 RDA's for 11 nutrients [2] | 80 percent of 1974 RDA's for 11 nutrients |
| All households | 50 | 71 |
| Thrifty plan | 9 | 33 |
| Low-cost plan | 31 | 64 |
| Moderate-cost plan | 52 | 81 |
| Liberal plan | 69 | 89 |

[1] Cost of food in the USDA food plans for a 4-person household (man and woman 20–54 and children 6–8 and 9–11 years of age) adjusted for household size and economy of scale factors used in establishing the food stamp allotment.

[2] Protein, calcium, phosphorus, iron, magnesium, vitamin A value, thiamin, riboflavin, vitamin $B_4$, vitamin $B_{12}$, and vitamin C.

Source: 14,400 housekeeping households, Nationwide Food Consumption Survey 1977–78, 48 States.

At a cost level 15 percent above the allotment level, 18 percent of the household diets met the full RDA and 51 percent met 80 percent RDA or more. As discussed earlier, diets that meet the RDA would be expected to provide generous amounts of nutrients for most persons; and failure to meet the RDA for all nutrients does not imply dietary inadequacy.

The following table shows the average money value of food per person per week, for five groups of households, by gross income reported, in the spring of 1977:

MONEY VALUE OF FOOD USED AT HOME PER PERSON PER WEEK,[1] SPRING 1977

| Food group [2] | Income (1976) before taxes | | | | | |
|---|---|---|---|---|---|---|
| | All income [3] | Under $5,000 | $5,000 to $9,999 | $10,000 to $14,999 | $15,000 to $19,999 | $20,000 and more |
| All income [4] | $16.44 | $15.42 | $15.17 | 15.39 | $16.04 | $18.46 |
| Milk, cream, cheese | 2.02 | 1.77 | 1.81 | 1.96 | 1.93 | 2.37 |
| Meat, poultry, fish | 5.64 | 5.50 | 5.11 | 5.22 | 5.82 | 6.32 |
| Eggs, dry legumes, nuts [3] | .71 | .75 | .72 | .77 | .64 | .71 |
| Vegetables | 1.96 | 1.93 | 1.98 | 1.78 | .183 | 2.10 |
| Fruit | 1.26 | 1.16 | 1.18 | 1.15 | 1.15 | 1.45 |
| Grain products | 1.96 | 1.85 | 1.82 | 1.89 | 1.86 | 2.20 |
| Fats, oils | .48 | .46 | .48 | .44 | .46 | .51 |
| Sugar, syrup, jelly, candy | .43 | .38 | .39 | .44 | .40 | .48 |
| Soft drinks, punches, prepared desserts | .63 | .59 | .63 | .63 | .67 | .67 |
| Alcoholic beverages | .61 | .39 | .35 | .47 | .82 | .87 |
| Other foods | .74 | .64 | .70 | .64 | .98 | .78 |
| Household size in number of 21-meal persons | 2.82 | 1.96 | 2.55 | 2.95 | 3.30 | 3.25 |

[1] 1 person considered to eat 21 meals from home supplies during 7 days.

[2] Mixtures and soups included with main ingredients except those mainly meat, which are included with eggs, dry legumes and nuts.

[3] Includes households with income not reported.

[4] Includes value of food that was bought, home produced or received as gift or pay and used by household members and guests. Value of food served without direct expense by a household as based on average price per pound paid for that food by survey households in the same region.

[5] Includes plate dinners with main serving mostly meat, poultry and fish.

Source: USDA Nationwide Food Consumption Survey, 1977-78, 48 continuous States, spring 1977 (preliminary).

The three lowest income groups had money values, on the average, that were about the same. Factors affecting the cost and nutritional quality of diets of low-income households are being studied under contract with the University of Missouri.

The revised 1983 plan incorporated new data on food consumption, prices, nutritional composition of foods, and human nutritional requirements. The revised version was designed so that the cost level for the current reference family would be the same as that of the original version for an initial month. The revised plan has less variation in cost across age/sex categories than the original plan.

*The thrifty food plan used for determining benefits*

By statute, the thrifty food plan used for determining food stamp benefits means the diet required to feed a family of four persons consisting of a man and a woman, ages 20-54, and two children, ages 6-8 and 9-11.

The cost of such a diet is the basis for uniform allotments for all participating households, after adjustments for household size, regardless of the actual composition of the participating households.

The following table shows the value of the thrifty food plan for June 1984. This has served as the basis for food stamp allotments since October 1, 1984. While the cost of the thrifty food plan changes monthly, food stamp benefits are determined annually, each October, based on the value of the thrifty food plan each June.

## COST OF FOOD AT HOME ESTIMATED FOR THRIFTY FOOD PLAN, JUNE 1984, U.S. AVERAGE [1]

| Sex-age groups | Cost for 1 wk | Cost for 1 mo |
|---|---|---|
| FAMILIES | | |
| Family of 2: [2] | | |
| 20 to 50 years | $36.50 | $158.40 |
| 51 years and over | 34.60 | 150.00 |
| Family of 4: | | |
| Couple, 20 to 50 years and children— | | |
| 1 to 2 and 3 to 5 years | 53.20 | 230.30 |
| 6 to 8 and 9 to 11 years | 61.00 | 264.40 |
| INDIVIDUALS [3] | | |
| Child: | | |
| 1 to 2 years | 9.60 | 41.40 |
| 3 to 5 years | 10.40 | 44.90 |
| 6 to 8 years | 12.70 | 55.10 |
| 9 to 11 years | 15.10 | 65.30 |
| Male: | | |
| 12 to 14 years | 15.80 | 68.60 |
| 15 to 19 years | 16.50 | 71.50 |
| 20 to 50 years | 17.50 | 75.80 |
| 51 years and over | 15.90 | 69.00 |
| Female: | | |
| 12 to 19 years | 15.70 | 68.10 |
| 20 to 50 years | 15.70 | 68.20 |
| 51 years and over | 15.60 | 67.40 |

[1] Assumes that food for all meals and snacks is purchased at the store and prepared at home. Estimates for the thrifty food plan were computed from quantities of foods published in "Family Economics Review" (1984 No. 1). Estimates for the other plans were computed from quantities of foods published in "Family Economics Review" (1983 No. 2). The costs of the food plans are estimated by updating prices paid by households surveyed in 1977–78 in USDA's Nationwide Food Consumption Survey. USDA updates these survey prices using information from the Bureau of Labor Statistics: "CPI Detailed Report," table 3, to estimate the costs for the food plans.

[2] 10 percent added for family size adjustment. See footnote 3.

[3] The costs given are for individuals in 4-person families. For individuals in other size families, the following adjustments are suggested: 1-person—add 20 percent; 2-person—add 10 percent; 3-person—add 5 percent; 5- or 6-person—subtract 5 percent; 7-or-more-person—subtract 10 percent.

U.S. Department of Agriculture. Human Nutrition Information Service.

In determining the actual food stamp benefits, the Secretary is to consider the legislatively mandated family of four—one man and woman, ages 20–54, and two children, ages 6–8 and 9–11. In addition, the statute requires that the Secretary take into account "household-size adjustments * * * taking into account economies of scale."

The economies-of-scale adjustment factors are meant to allow for the differences between large and small households in the per person costs and use of food. USDA has hypothesized that:

> Large households can buy and use food more economically than small households: (a) large households buy food in larger quantities at lower unit costs, (b) they use food more efficiently with less spoilage and less food discard than smaller households, and (c) they may be more likely to use other good food management practices because of lower per capita income, frequently found in large households.

A 1965 study is the basis for the present economies of scale. The per person value of the four-person thrifty food plan is adjusted by multiplying by the household size considered and: If the family consists of one person, add 20 percent; two persons, add 10 percent, three persons, add 5 percent; four persons, use it as is; five or six persons, subtract 5 percent; seven or more persons, subtract 10 percent.

The maximum household allotment for each household size is shown in the table below, as well as the per person amount which this figure represents.

MAXIMUM FOOD STAMP ALLOTMENTS, NOV. 1, 1984 THROUGH SEPT. 30, 1985

| Persons in household | Maximum allotment | Effective allotment per person |
|---|---|---|
| 1 | $79 | $79 |
| 2 | 145 | 72.50 |
| 3 | 208 | 69.33 |
| 4 | 264 | 66 |
| 5 | 313 | 62.60 |
| 6 | 376 | 62.66 |
| 7 | 416 | 59.42 |
| 8 | 475 | 59.37 |
| 9 | 534 | 59.33 |
| 10 | 593 | 59.30 |
| Each additional member |  | 59 |

Maximum food stamp allotments vary for Alaska, Hawaii, the Virgin Islands, and Guam, because food costs in those areas differ substantially from those in the 48 contiguous States and the District of Columbia.

The following table shows the current maximum allotments in each of these areas:

THRIFTY FOOD PLAN AMOUNTS,[1] NOVEMBER 1984, AS ADJUSTED

| Household size | 48 States and District of Columbia | Urban Alaska [2] | Rural Alaska [3] | Hawaii | Guam [4] | Virgin Islands [4] |
|---|---|---|---|---|---|---|
| 1 | $79 | $110 | $156 | $121 | $116 | $101 |
| 2 | 145 | 202 | 287 | 223 | 214 | 186 |
| 3 | 208 | 290 | 411 | 319 | 306 | 267 |
| 4 | 264 | 368 | 522 | 405 | 389 | 339 |
| 5 | 313 | 437 | 619 | 481 | 462 | 403 |
| 6 | 376 | 525 | 743 | 578 | 555 | 484 |
| 7 | 416 | 580 | 822 | 639 | 613 | 535 |
| 8 | 475 | 663 | 939 | 730 | 701 | 611 |
| 9 | 534 | 746 | 1,056 | 821 | 789 | 687 |
| 10 | 593 | 829 | 1,173 | 912 | 877 | 763 |
| Each additional member | +59 | +83 | +117 | +91 | +88 | +76 |

[1] Adjusted to reflect the cost of food in June, adjustments for each household size economies of scale and rounding.
[2] Increased by 6.4 percent to account for higher food prices in urban cities and towns.
[3] Increased by 50.7 percent to account for significantly higher food prices in rural areas.
[4] Adjusted to reflect changes in the cost of food in the 48 States and Washington, DC, which correlate with price changes in these areas.

Source: U.S. Department of Agriculture.

It should be noted that these amounts are the maximum allotments for households of various sizes. Unless households have zero countable, or net, income, they are not eligible for the maximum food stamp allotments. By program design, families are expected to contribute 30 percent of their net income to food expenditures. For most food stamp families, food stamps are designed to supplement food purchasing power; only in the case of households with little or no income (zero net income households) are they expected to provide resources for all food expenditures.

## DEDUCTIONS AND BENEFIT CALCULATIONS

As noted earlier, in determining eligibility for most households, the Food Stamp Program looks primarily at a household's monthly gross income. Further, for purposes of determining actual benefit levels, the program considers the household's net, or countable, income after certain deductions are taken. For every dollar in net income, benefits are reduced by 30 percent (the benefit reduction rate, described later). The effect of the various deductions is thus to lower the net income for participating households.

Deductions are calculated in the order outlined below.

### *Standard deduction*

In determining a household's net income, all households are automatically permitted a standard deduction. For fiscal year 1985 (the present fiscal year), this deduction is $95 per month. The standard deduction is indexed annually on October 1, just as the thrifty food plan is. However, the basis for the indexation of the deduction is the Consumer Price Index minus both food and the homeownership component of shelter costs. Inasmuch as changes in food prices are reflected in annual indexing of benefits and as most food stamp households rent, rather than own, housing, Congress has judged this index to be more appropriate than one which would include food and home ownership costs.

(NOTE.—Separate deduction levels apply with regard to Alaska, Hawaii, Guam, and the Virgin Islands. See section entitled "Special Provisions for Noncontinental Areas.")

The standard deduction is a constant amount, with no variation for household size or income level.

The standard deduction was originally recommended to replace numerous specialized deduction and exemptions that existed prior to the 1977 reforms. These included a work allowance, mandatory work expenses such as Federal, State, or local taxes, Social Security taxes, mandatory retirement payments, mandatory union dues, medical expenses, child care, tuition and mandatory fees, support and alimony payments, shelter costs and unusual expenses connected with a disaster or casualty. However, the standard deduction eventually replaced only some of these specialized deductions while other specialized deductions were retained.

### *Earned income deduction*

For households with earned income, a deduction of 18 percent of such income is permitted. This deduction was originally established in 1977 at 20 percent and was intended to compensate for work expenses, such as, travel, taxes, clothing, union dues, and so forth and to provide an incentive to work. In 1981, Congress lowered the percentage to 18 percent. The administration indicated that the 20-percent figure overjusted for actual work expenses in most households. (See Senate Report 97-128 to accompany S. 1007.)

The following table outlines the percentage of income which the administration calculated to represent actual work expenses for various size households, as updated by the administration, except dependent care expenses which are treated in a separate food stamp deduction.

## ESTIMATED MONTHLY WORK-RELATED EXPENSE BY HOUSEHOLD SIZE

| Household size | Average monthly earnings[1] (1981) | Federal income tax | Social Security tax | State income tax | Transporta-tion costs | Other costs | EITC | Total | Total as percent of earned income |
|---|---|---|---|---|---|---|---|---|---|
| 1 | $166.29 | 0 | $11.14 | $1.78 | $9.31 | $9.98 | 0 | $32.21 | 19.4 |
| 2 | 227.92 | 0 | 15.27 | 2.03 | 12.76 | 13.68 | $17.32 | 26.42 | 11.6 |
| 3 | 370.29 | 0 | 24.81 | 2.63 | 20.74 | 22.22 | 28.14 | 42.26 | 11.4 |
| 4 | 425.41 | 0 | 28.50 | 2.30 | 21.82 | 25.52 | 31.67 | 48.47 | 11.4 |
| 5 | 539.74 | 0 | 36.16 | 2.91 | 30.23 | 32.38 | 27.89 | 71.79 | 13.7 |

[1] This average was created by excluding individual whose gross income was in excess of 130% of poverty.

Source: U.S. Department of Agriculture.

*Excess shelter and dependent care deduction*

Additionally, a deduction for excess shelter costs and dependent care expenses is provided in the Food Stamp Program for households other than those containing an elderly or disabled member. Dependent care costs are first determined and then excess shelter costs. Currently, actual amounts up to a maximum of $134 for these combined factors are permitted. By regulation, shelter costs include rent, mortgage, property taxes, heating or cooling expenses, water, sewerage, garbage and trash collection, and the basic service charge for one telephone. "Excess shelter costs" are defined as being those that exceed 50 percent of the countable income remaining after all other potential deductions and expenses have been subtracted out.

For households with elderly and disabled members, there is no ceiling on the shelter costs which may be deducted. Any amount which represents over 50 percent of income after all other deductions—including the special medical deduction for elderly and disabled households—is subtracted in the case of households with elderly or disabled household members. However, the maximum of $134 applies with regard to any dependent care expenses. (See section entitled "Special Provisions for the Elderly or Disabled" for a further discussion of separate deduction rules for such households.)

For the sake of simplicity for eligibility workers and recipients most States have developed and use standard utility allowances when computing a household's overall shelter costs. These standard allowances are used in place of actual utility costs, if the household so chooses, as long as the household incurs some utility expense separate and apart from the rent or mortgage payment.

These standard monthly utility allowances vary widely among the States. These range from a low of $95 in Oklahoma to a high of $552 in Vermont. The current standard utility allowances for a household of four persons is shown in the following table:

STANDARD UTILITY ALLOWANCES

| State | Annual rate | Heating rate | Nonheating rate | Telephone rate |
|---|---|---|---|---|
| Northeast: | | | | |
| Connecticut | $172 | | | |
| Maine | 306 | | | |
| Massachusetts | | $250 | $80 | $13 |
| New Hampshire | 197 | | | |
| New York | (G & M) | | | 21 |
| Rhode Island | 195 | | | |
| Vermont | | 552 | [1] 161 | |
| Mid-Atlantic: | | | | |
| Delaware | | 248 | 129 | |
| District of Columbia | 210 | | | |
| Maryland | | 159 | 90 | |
| New Jersey | | 172 | 102 | |
| Pennsylvania | 191 | | | |
| Puerto Rico | N/A | | | |
| Virgina | 143 (HH) | | | |
| Virgin Islands | (M) | | | |
| West Virginia | 124 | | | |

## STANDARD UTILITY ALLOWANCES—Continued

| State | Annual rate | Heating rate | Nonheating rate | Telephone rate |
|---|---|---|---|---|
| Southeast: | | | | |
| Alabama | 146 | | | [2] 15.50 |
| Florida | $152 | | | [2] $13 |
| Georgia | 140 | | | |
| Kentucky | 182 (HH) | | | 20 |
| Mississippi | 168 (HH) | | | 25.43 |
| North Carolina | 138 (HH) | | | |
| South Carolina | 150 | | | 11 |
| Tennessee | 129 (HH) | | | 11 |
| Midwest: | | | | |
| Illinois | 160 | | | 8 |
| Indiana | 132 (HH) | | | |
| Michigan | | 168 | 92 | 16 |
| Minnesota | 200 | | | |
| Ohio | 167 | | | 15 |
| Wisconsin | 157 | | | |
| Southwest: | | | | |
| Arkansas | 124 | | | |
| Louisiana | 145 | | | |
| New Mexico | 140 | | | |
| Oklahoma | 95 | | | |
| Texas | 118 | | | 18 |
| Mountain Plains: | | | | |
| Colorado | 135 | | | |
| Iowa | 145 | | | |
| Kansas | 154 | | | |
| Missouri | 115 | | | |
| Montana | 102 (HH) | | | |
| Nebraska | 139 (HH) | | | |
| North Dakota | 194 (HH) | | | |
| South Dakota | 189 | | | |
| Utah | (M) | 159 | 105 | |
| Wyoming | 157 | | | |
| Western: | | | | |
| Alaska | 220–270 (G) | | | |
| Arizona | 104–138 (G) | | | 10 |
| California | 106 | | | |
| Guam | Uses Actual | | | |
| Hawaii | Uses Actual | | | |
| Idaho | 159 (HH) | | | |
| Nevada | 133 | | | |
| Northern Mariana Islands | N/A | | | |
| Oregon | 127–210 (HH) | | | |
| Trust Territory | N/A | | | |
| Washington | 144 (HH) | | | |

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[1] Converting to HH size, July 1984.

[2] If SUA not used.

M—Multiple components used in lieu of standard utility allowance.
HH—Variations for household size; figures listed are for 4-person households.
G—Variations for geographic regions within the State.

Source: U.S. Department of Agriculture.

Standard utility allowances are often developed for various household sizes; the illustration used above is for a four-person household.

Standard utility allowances are required to be prorated when more than one household shares a residential unit, whether or not all households are food stamp recipients.

The standard utility allowance is added to other shelter costs for participating households, such as rent. The standard is used in calculating a food stamp household's shelter costs in lieu of using actual data—such as paid utility bills, et cetera. For example, in a four-person household in North Carolina, $138 could be used automatically for a household's utility expense. The monthly food stamp benefit would be determined by inserting this number in the subsequent calculation.

The excess shelter/dependent care deduction limit is also indexed annually to account for changes in the Consumer Price Index. The basis for the indexation is the Consumer Price Index components for housing costs minus the home ownership component.

(NOTE.—An additional deduction is available to households that contain elderly or disabled members. Medical expenses above $35 per month for individuals in these households may be subtracted as an allowable deduction. This deduction was added in 1979 to provide a special deduction for elderly and disabled households who are more likely than other households to have high medical expenses. See further discussions in the section entitled "Special Provisions for the Elderly or Disabled.")

All deductions are subtracted from the household's gross income to determine the net, or countable, income for food stamp purposes. The following table outlines the number of households claiming the various available deductions:

NUMBER OF PARTICIPATING HOUSEHOLDS CLAIMING AND VALUE OF DEDUCTION CLAIMED

| Type of deduction | Number of households claiming deduction | Percent of all households [1] | Average amount of deduction— Over claiming households | Average amount of deduction— Overall households |
|---|---|---|---|---|
| Earned income | 1,316,000 | 17.6 | $81 | $14 |
| Dependent care [2] | 119,000 | 1.7 | 84 | 1 |
| Shelter [2] | 4,820000 | 66.8 | 85 | 57 |
| Medical [3] | 163,000 | 2.2 | 51 | 1 |
| Total [4] | 7,487,000 | 100.0 | 159 | 159 |

[1] Percent of households with known deduction information.

[2] Combined total of dependent care deduction and shelter deduction is subject to a limit except for households where at least one member is age 60 or more or receiving SSI or Social Security disability payments.

[3] Available only to households where at least one person is age 60 or more or receiving SSI or Social Security disability payments.

[4] Includes standard deduction for all household.

Source: August 1982 Food Stamp Quality Control sample, U.S. Department of Agriculture.

### *Countable income and the benefit reduction rate*

Under the Food Stamp Act of 1977, the value of the allotment to be issued to the eligible household is to be equal to the cost of the thrifty food plan—that is allotment levels—reduced by 30 percent of the household's income remaining after allowable deductions—countable, or net income. This percentage reduction in the thrifty food plan cost is deemed to be equal to the amount being spent on food purchases by the household and is known as the benefit reduction rate. The benefit reduction rate has been 30 percent since established in 1977. Thus, for every additional dollar of countable income (after food stamp deductions), benefits are reduced by 30 cents.

Prior to 1977, most households were required to contribute some percent of their countable income to the Federal Government in return for food stamp benefits with a larger value. This requirement for a cash contribution to participate was known as the purchase requirement. The purchase requirement was phased out over 2 years, between 1977 to 1979. (The purchase requirement had also been established at up to 30 percent of household net income during its usage in the program.)

In effect, the participating household is now expected to spend 30 percent of its countable (net) income for food, and the Food Stamp Program makes up the difference between that and the amount needed to purchase a low-cost adequate diet. (The amount needed to purchase a low-cost adequate diet is, as noted in the preceding section, set by the U.S. Department of Agriculture's thrifty food plan, as translated into maximum monthly food stamp allotments for various household sizes, and updated annually to reflect changes in food prices.)

Households with no countable income receive maximum monthly allotments; those with higher incomes—relative to family size—receive lower monthly allotments.

Therefore, except in cases in which the household's after-deduction income is zero, so-called zero net income households, some income is judged to be available to the household for the purposes of purchasing food. Except in these limited cases—usually less than 20 percent of the entire caseload—households are expected to contribute from their own income to purchase food. Among these recipients with relatively higher incomes, food stamp benefits serve as a supplement to regular food purchases, and are not intended to supply all of the household's monthly food needs.

Several examples of benefit calculations are presented below:

### EXAMPLE A

Characteristics: A 4-person household living in one of the 48 contiguous States or the District of Columbia;[1] Gross monthly income of $500, consisting of $250 in earnings and $250 in unearned income; and Shelter expenses of $300 per month.

Calculation of food stamp countable income:

| | |
|---|---|
| Gross monthly income | $500 |
| Less standard deduction | 95 |
| Less 18 percent earned income deduction | 45 |
| Less a shelter expenses deduction[2] | 120 |
| Countable (net) income | 240 |

Calculation of food stamp benefit:

| | |
|---|---|
| 30 percent of countable income (expected household contributions to its food needs) | 72 |
| Maximum monthly allotment for a 4-person household as established by the thrifty food plan | 264 |
| Food stamp allotment (benefit) equals the difference between the maximum allotment and 30 percent of countable income | 192 |

[1] Benefit levels vary for Alaska, Hawaii, the Virgin Islands, and Guam. The figures presented here are applicable through Sept. 30, 1985.

[2] The shelter expenses deduction equals any shelter expenses exceeding 50 percent of the household income remaining after all other potential deductions have been subtracted (above ½ of $360, or $180, in this example).

### EXAMPLE B

Characteristics: A 3-person household living in one of the 48 contiguous States or the District of Columbia;[1] Gross monthly income of $600, consisting of $400 in earnings and $200 in unearned income; Child care expenses of $100 per month; and Shelter expenses of $250 per month.

Calculation of food stamp countable income:

| | |
|---|---|
| Gross monthly income | $600 |
| Less standard deduction | 95 |
| Less 18 percent earned income deduction | 72 |
| Less child care expenses | 100 |
| Less a shelter expenses deduction [2] | 34 |
| Countable (net) income | 299 |

Calculation of food stamp benefit:

| | |
|---|---|
| 30 percent of countable income (expected household contributions to its food needs) | 90 |
| Maximum monthly allotment for a 3-person household as established by the thrifty food plan | 208 |
| Food stamp allotment (benefit) equals the difference between the maximum allotment and 30 percent of countable income | 118 |

[1] Benefit levels vary for Alaska, Hawaii, the Virgin Islands, and Guam. The figures presented here are applicable through Sept. 30, 1985.

[2] The shelter expenses deduction equals any shelter expenses exceeding 50 percent of the household income remaining after all other potential deductions have been subtracted (above ½ of $333, or $166.50, in this example). However, the combined deduction for child care expenses and excess shelter may not exceed $134; hence the total in this example.

In each instance, 30 percent of the countable income is subtracted from the maximum allotment (for that household size) to determine the actual monthly benefit that will be issued to the participating household.

Households generally receive the exact amount, rounded down to the nearest dollar, that the benefit calculation produces. However, in the case of one- and two-person households, a minimum benefit of $10 per month has been established. The Department of Agriculture estimates that 89 percent of all households receiving the minimum benefit contain an elderly or disabled member.

### *Prorating of initial month's benefits*

Households generally receive a full month's food stamp benefits. However, households receiving their first month's benefits are subject to separate rules. Since 1981, the initial month's benefits have been prorated from the actual date of application. (Prior to that time, households had received a full month's benefits regardless of the date on which they applied during the month.) The need for this reform was first suggested in a November 1980 report by the Investigations Staff, Senate Committee on Appropriations, entitled "Need for an Overall Strategy to Combat Fraud, Workers Errors, and Regulation Loopholes in the Department of Agriculture's Food Stamp Program." Prorating benefits from the actual day of application makes the allotment correspond more directly to actual need in the initial month of application, and in the process saves a good deal of money. The provision in the Omnibus Budget Reconciliation Act of 1981 was estimated by the Congressional Budget Office to save approximately half a billion dollars annually.

In 1982, the provision was expanded to include applications for nontimely recertifications—that is, for recertifications during the 30-day period following the end of the last month for which benefits were received. (Previously, a recertification within 30 days was not deemed to be an initial month.)

Under the prorating requirement for initial month's benefits, no benefit allotment is issued if the amount would be under $10.

The Department of Agriculture is presently conducting a pilot project in Illinois with households in which all members are AFDC recipients. These households are eligible for a simplified application with fewer questions asked; standardized benefits are issued based on several criteria. A report on the pilot project—including other pilot projects involving simplifed applications without standardized benefits—is due in 1985.

In two States, Wisconsin and California, households containing SSI recipients do not recive food stamp coupons, and indeed are not eligible to do so because their SSI benefit checks have been increased by a standard amount to reflect food stamp eligiblity.

## MEANS OF VERIFICATION

State agencies administering the Food Stamp Program are responsible for verifying the information provided by applicants and recipients. Some aspects of verification are required by statute, other aspects by Federal regulations, and some aspects are left to State discretion.

Because most overissuances of food stamp benefits are the result of unreported or underreported income (see section entitled "Overissuances and Collections"), most verification efforts have been concentrated on verification of reported household income.

While on the one hand Federal regulations require certain factors to be verified prior to certification, the same regulations provide exemptions which permit households to be certified before these factors have been substantiated.

As a general rule, at least gross income is to be verified prior to certification. However, in the case of expedited service cases, benefits must be issued by the fifth day following the date the application was filed, regardless of whether verification of income has been made. In other cases, certification must be completed, or the application denied, within 30 days.

Additionally, Federal regulations provide that other households may be certified before the household's income has been verified:

> Where all attempts to verify the income have been unsuccessful because the person or organization providing the income has failed to cooperate with the household and the State agency, and all other sources of verification are unavailable.

In such cases, the eligibility worker is to determine the amount of income to be used for certification based on the best available information.

Additional factors which must be verified prior to certification are alien status—that is, whether the applicants identifying themselves as aliens are those permitted to participate in the program as opposed to those not eligible for participation—utility expenses (for purposes of establishing excess shelter deduction), medical expenses (in the case of the elderly and disabled who may be eligible for the special medical deduction), residency, and the identity of the person applying for food stamps.

State agencies may also undertake verification of other factors which they deem to be questionable and affect the household's eligibility and benefit level. Such factors include household composition and citizenship.

Factors of the application that need special verification are important inasmuch as errors in determining benefits are often associated with certain factors.

Federal regulations have generally required that when States decide to implement additional verification procedures, they do so on a uniform basis to all applicants, such as verifying all households' composition and citizenship. States are not permitted, under the regulations, to allow eligibility workers to undertake verification in individual cases, regardless of whether the eligibility workers believe some of the information submitted to be questionable unless the information supplied conflicts with other information provided to the eligibility worker. As a general rule, however, questionable information is checked further based on a categorized, rather than individualized, basis.

The statute establishes some basic verification standards. However, considerable flexibility is given to the States, and actual factors of verification which are undertaken varies considerably among States.

The General Accounting Office observed in 1982 that the Federal food stamp regulations permit States to request more documentation from participants and to establish more verification in five areas—household size, liquid resources, shelter costs, utility expenses, and dependent care—so as to reduce errors. (See "Reauthorization of the Food Stamp Program," Mar. 29, 1982, Senate Committee on Agriculture, Nutrition, and Forestry.)

The GAO reviewed the verification procedures in eight States. Of those eight, GAO found that one adopted all five options, four adopted one to four, and three elected not to do any additional verification work. Only one State opted to verify household size, a factor GAO found to be a major determinant of the amount of benefits households receive monthly. (Income, assets, and household size are generally viewed as the three most error-prone factors, based on quality control information). The following tables outline the aspects of eligibility that most often result in errors according to the Department of Agriculture and the GAO report:

ESTIMATED AMOUNT OF NET COST (TOTAL OVERPAYMENTS MINUS UNDERPAYMENTS) ATTRIBUTABLE TO VARIOUS SOURCES OF ERROR

| Source of error | Estimated amount of error when error present | Percent of variances due to specified source | Estimated percent of dollar error due to specified source |
|---|---|---|---|
| Earned income | $47.79 | 24.2 | 44.9 |
| Unearned income | 27.81 | 24.5 | 26.4 |
| Resources | 25.92 | 10.8 | 10.9 |
| Deductions | 3.04 | 28.5 | 3.4 |
| Household size | 32.36 | 8.2 | 10.3 |
| Other nonfinancial | 58.92 | 1.3 | 3.0 |
| Computations | 12.52 | 2.4 | 1.2 |
| Total |  | 100 | 100 |

Source: U.S. Department of Agriculture.

### INCORRECT ISSUANCES AS A PERCENTAGE OF TOTAL ISSUANCES

| Category | Participant caused | Agency caused |
|---|---|---|
| Earned income (wages) | 28 | 8 |
| Unearned income (other income supplement programs, interest, and dividends) | 13 | 9 |
| Household size | 12 | 4 |
| Resources | 8 | 1 |
| Other | 9 | 8 |
| Total | 70 | 30 |

Source: General Accounting Office, "Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud," RCED-83-40, Feb. 4, 1983.

The GAO also noted that States could use the time available for verification work more effectively if they made more extensive use of existing quality control data to identify households with greater probability of having errors in their cases. This technique, known as error-prone profiling, is used more extensively in the AFDC and Supplemental Security Income [SSI] Programs, according to the GAO.

Error-prone profiles are derived from each State's quality control information and identify certain factors that may affect errors more often than other factors—that is, common denominators of inaccurate issuance. In addition to the broad areas already noted—income, assets, and household size—other factors may vary from State to State.

For instance, Arizona has developed an error-prone profile with the following conclusions:

> First, household size gives the clearest indication of possible error. Large households, particularly four-person households are both error prone and costly per error.
>
> Second, the error rate for households with children present is considerably higher than for the caseload as a whole.
>
> Third, households composed entirely of members younger than 18 or above 60 were not likely to have high errors.
>
> Fouth, the more household members between 18 and 60, the more likely errors are to occur.
>
> Fifth, households consisting of two or three individuals with a workage adult and children present are error prone. This is particularly true when no net income is reported, or when a wage earner has been unemployed less than 1 year.

Typical of other error-prone profiles is one established in North Carolina which confirmed that household size and earned income were the two most prevalent factors influencing errors. For instance, single-person households—with or without earned income—were not likely to contain an overissuance error. However, the larger the household and the more earners—or potential earners, based on being of workage—the more likely there are to be errors and the larger the dollar value of such errors.

The GAO noted that States with an error rate of 5 percent or more were to have USDA-approved plans to reduce errors. However, the GAO has been critical in 1975 and 1982 that these plans did not address specific problems or causes of errors. This criticism was reiterated in a recent GAO report, "The Management System for

Identifying and Correcting Problems in the Food Stamp Program Can Work Better," RCED-84-94, May 30, 1984. (See further discussion in section entitled "Quality Control and the Error Rate Sanction System.")

The GAO also indicated that greater use of automated data processing could eliminate errors, facilitate verification, and save caseworkers' time.

(NOTE.—The GAO also commented that much legislation designed to improve program administration had not yet, in 1982, been implemented—such as regulations requiring wage matches or expanding the requirement for Social Security numbers to all household members. Subsequently, these and other provisions have been implemented.)

Under the wage match procedures, Social Security numbers of food stamp recipients are compared, or matched—usually by computer—with one of several lists of employment income which is also listed by Social Security number. Typically, the employment income is maintained in the form of quarterly wage reporting which is made by employers to State unemployment compensation agencies. The purpose of the wage match is to detect situations where recipients have underreported, or failed to report, their incomes.

In a separate 1982 report, the GAO discussed the differences in verification requirements among various Federal welfare programs—including the Food Stamp Program—the inadequacies of current verification processes, and Federal laws and regulations which restrict the use of information that could significantly improve the verification process. (See "Legislative and Administrative Changes To Improve Verification of Welfare Recipients' Income and Assets Could Save Hundreds of Millions," HRD-82-9, Jan. 14, 1982.)

The GAO recommended requiring wage matching with quarterly wage data and the use of Social Security numbers for recipients of all federally funded needs-based programs. (NOTE.—Both of these specific recommendations had already been required in the Food Stamp Program as a result of amendments in 1981, Public Law 97-98, the 1981 farm bill.)

Since January 1, 1984, States have been required to use the most recent available data for verifying food stamp eligibility and benefit payments. Approximately 38 States require employers to submit wage information on employees on a quarterly basis—so-called wage report States. These States that have quarterly wage reporting by employers are required to use such information for matching with Food Stamp Program participants.

States without quarterly wage reporting—called wage request States—are required to match against Social Security Administration wage information. However, this wage information usually is not as current as the quarterly data. The Grace Commission found it to be 20 months old.

Alternatively, States that do not have quarterly wage data may match against comparable wage data rather than use the Social Security Administration information. Such comparable data might include State income tax information.

The wage match involves the matching of Social Security numbers and wage information in food stamp files to the Social Security numbers and wage information maintained on the files of various agencies which collect wage date, that is, unemployment compensation, Social Security Administration, or other alternative State information, such as State income tax data usually gained from withholding records.

The purpose of the wage match is to detect situations where recipients have underreported or failed to report their earnings. The wage match legislation also requires State agencies to have procedures in place to follow up on the hits—actual matching of names and Social Security numbers—identified by the wage match. The match not only identifies income, but also the source, that is, the job, that may have been unreported. While the income may have changed (since wage information is sometimes dated), the job may be the same, thus providing a lead for checking the accuracy of the household's current reported income.

The Office of Inspector General and the General Accounting Office have identified problems with State implementation of the wage match requirements. (See OIG report, "Nationwide Audit of the Implementation of Wage Matching, Food and Nutrition Service—Food Stamp Program," Jan. 27, 1984, and GAO testimony before the committee, Apr. 25, 1984.)

The OIG report reviewed 15 State agencies and concluded that none of the 15 were in full compliance with wage match regulations. Noncompliance, according to the OIG, was a result of wage matches not being completed which met regulatory requirements and/or failure by State agencies to undertake proper followup and corrective action after the wage match.

The GAO's work, in five States, indicated that about 90 percent of the cases with differences between reported wages and the match were not handled properly by the local offices. According to the GAO:

> The problem involved local offices not taking appropriate steps in manually matching independent wage data with earning data in program casefiles, not consistently following up and resolving indicated differences, and not using the results to adjust current participants' benefits or establish claims for prior-period overissuances.

While the State unemployment wage data are generally considered better than that supplied by the Social Security Administration, they are subject to the limitation that they do not include information on Federal civilian employees. Inasmuch as most States use the quarterly unemployment compensation, Federal employees are excluded from such matches.

The GAO suggested in its 1982 verification report that wage data from the Office of Personnel Management [OPM] be made available to agencies operating needs-based programs, such as food stamps. OPM maintains information on the salaries of Federal civilian employees. While this data, according to the GAO, is available under current legislation, it was being used in only one program, SSI. (See "Legislative and Administrative Changes to Improve Verification of Welfare Recipients' Income and Assets Could Save Hundreds of Millions," HRD-82-9, Jan. 14, 1982.)

The possible use of OPM wage information was also noted by the Grace Commission. (See President's Private Sector Survey on Cost Control, Task Force Report on Low-Income Standards and Benefits.)

A report done by the inspectors general of several major Federal agencis identified the usefulness of matching program participation in several programs with Federal employee wage information. (See President's Council on Integrity and Efficiency, "Federal Employees Receiving Government Assistance," Sept. 16, 1983.) Inspectors general from the Departments of Health and Human Services, Labor, Education, Agriculture, and Housing and Urban Development as well as the Veterans' Administration participated in the project.

The inspectors general project was undertaken to identify Federal personnel who were abusing Federal benefit programs or had delinquent debts to the Federal Government. Federal personnel included Federal civilian and military employees and retirees and their beneficiaries and survivors. Nine Federal departments and agencies agreed to participate in the project. The Food Stamp Program was included among those programs.

Federal personnel files included in the joint OIG project were: First, OPM's civil service employee, annuitant, and beneficiary files; second, the Department of Defense files on active duty, retired, reservist, and survivor personnel files; third, the U.S. Coast Guard's active duty, retired, and reservist personnel files; and fourth, the Tennessee Valley Authority's civil service employee, annuitant, and beneficiary files. The total number of Federal personnel was over 10 million.

The OIG matched selected Federal personnel files to the food stamp roles in California, the District of Columbia, Georgia, and Illinois. It was established that there were 2,709 cases where Federal employees received food stamps. A review of 1,472 of these cases identified 436 cases where Federal employees were overpaid nearly $400,000 in food stamp benefits. Of these 436 cases, 300 are suspected of having been overpaid $800,000 in other welfare benefits. The OIG reported these cases to the appropriate State and Federal agencies for corrective action.

The GAO also recommended in 1982 that the Tax Reform Act of 1976 be amended to permit disclosure of the IRS information return processing file data on sources and amounts of unearned income to Federal, State, and local agencies administering federally funded needs-based programs. Legislation encompassing the GAO recommendations was included in the Deficit Reduction Act of 1984, Public Law 98-369.

GAO reported:

> One possible means of identifying assets is IRS records on taxpayer unearned income. IRS requires that data on taxpayers' unearned income be reported through third-party information returns so that it can verify the accuracy of taxpayers' Federal tax returns. Third-party returns are submitted for pensions and annuities, interest income, dividends, lump-sum distributions from profit-sharing and retirement plans, bearer certificates of deposit, and individual retirement accounts. This information is maintained in IRS' information return processing [IRP] file. Third-party information returns would not only verify the unearned income being reported but also indicate ownership and value of assets which produced the income.

> We recognize that additional costs would be incurred in accumulating, distributing, and using the automated income and asset information for verification in needs-based programs as discussed in this report. We believe, however, that the benefits would be significantly outweigh the costs.

The use of unearned income data for purposes of verification in welfare programs, including the Food Stamp Program has also been endorsed by the Grace Commission, Task Force on Low Income Standards and Benefits.

Additionally, the Grace Commission recommended that Social Security numbers and income tax returns be required as a condition of eligibility in welfare programs. Social Security numbers are already required in the Food Stamp Program. The Grace Commission summarized the reasoning for the tax return requirement:

> Voluntary release of IRS data in means- or income-tested programs would not burden recipients. It is inconsistent to have an income test and simultaneously deprive the administering agencies of the data requisite for verification of the applicant's assertions.

Under the provisions of section 2651 of the Deficit Reduction Act of 1984, an income and eligibility verification system for several Federal welfare programs, including the Food Stamp Program, is to be established within each State effective April 1, 1985.

The system requires the furnishing of Social Security numbers by all participants, a wage match system to be established, and the use of unearned income in determining eligibility for program participation. Since the Food Stamp Program already requires some aspects of the new system, there will be less new requirements than for some other Federal programs that do not have these verification procedures. With regard to food stamps, the provision of the system that will be new will be the access to unearned income information for purposes of verifying food stamp eligibility and benefit levels. Additionally, the system provides that effective September 30, 1988, those States that do not already have quarterly wage reporting will be required to convert to a quarterly wage reporting system, unless they have a alternative system in place which provides similarly current wage information.

In addition to information on wages, States have been required since legislation enacted in 1982 to establish systems to prevent or detect multiple participation by the same household, or certain individuals within the household, in the Food Stamp Program within each State. There is no requirement to ensure that individuals or entire households are not participating in more than one State. However, on a voluntary basis, some States have conducted computer matches with neighboring States to determine if recipients are receiving food stamps in more than one jurisdiction. Additionally, some States have exchanged their wage match information to detect whether food stamp recipients participating in one State in fact have income, which they have failed to report, from employment in another State.

Additionally, States in which food stamp payments have been cashed out through the SSI payment, currently Wisconsin and California, are required to undertake annual verification to ensure that participants who receive these SSI payments are not also receiving food stamps.

States that develop, install, or update their computerization capacity in order to improve the administration of the Food Stamp Program are eligible to receive 75 percent funding for their startup costs.

Forms of computerized verification may take place in two ways. Currently, most of the wage match information, for example, is done after the initial certification interview. Such matches are used after-the-fact to corroborate information. When discrepancies are discovered, the recipient may be notified to determine if other factors contributed to a false match. For instance, computer keypunch errors may result in incorrect comparison of Social Security numbers. If, however, the wage information submitted by the recipient is erroneous, action will be initiated to reduce or terminate benefits, as well as to recover overissued benefits.

Some geographic areas have the capacity for up-front verification. In this process, the information submitted by recipients is verified at the time of application—usually through computer terminals. In such systems, key data, such as wage information or perhaps vehicle registration, is already maintained in the central computer. As the applicant's information is entered into the computer, automatic cross-checking is taking place to verify the information. This type of system is referred to as online verification. An alternative is that the information is verified after the interview, but before benefits are issued.

While the use of computerized verification has increased somewhat in recent years, much of the verification by caseworkers is still conducted via telephone and mail.

One source for verification is individuals specifically given as a reference by applicants. These collateral contacts might include employers, landlords, and neighbors of the household, among others, who could be expected to provide accurate third party verification.

Current food stamp regulations, however, require that collateral contacts be designated by the recipient. The caseworker, under present rules, may not unilaterally decide to contact someone to verify an applicant's information. However, the household must provide a contact, provide verification in another form, or withdraw its application, or the application will be denied.

Home visits may be used for verification, but Federal regulations prohibit them being unannounced. Rather, they must be scheduled in advance with the household. Some caseworkers have suggested that his requirement precludes a real assessment of the household's situation, because certain factors could be arranged prior to the caseworker's visit; for instance, an income-earning member of the household who has not been listed in the application may leave the premises. Such limits were initially established in order to preclude unwarranted intrusions into the household's affairs.

The inherent limitation on collateral contacts and home visits, however, is that the caseworker is restricted to the information that has been submitted by the applicant/recipient. It is easy to verify an applicant's employment and salary with an employer that is listed on the application. However, if the recipient has a second job, or has not listed any employment, the caseworker has a difficult time in discovering that employment information. In such instances, the computerized wage matching techniques outlined earlier are often instrumental in identifying unreported wages and jobs.

## SPECIAL PROVISIONS FOR THE ELDERLY OR DISABLED

The Food Stamp Act provides certain special provisions for households containing individuals who are elderly or disabled. In some cases, these special provisions apply to the entire household if any one member of the household is elderly or disabled, while in others, only the elderly or disabled person is affected.

Under the Food Stamp Program, an elderly member is defined to mean an individual aged 60 or over. This distinction is important inasmuch as several Federal cash benefit programs, primarily Social Security and the Supplemental Security Income [SSI] Program, use age 65 as the age for elderly eligibility.

Almost 20 percent of all food stamp households contain one or more elderly persons; 9 percent of all program participants are elderly. About 88 percent of all elderly participants live alone or with one other person (who is usually elderly as well).

In general, a disabled member is defined as an individual who is receiving certain assistance, the eligibility for which would have already established his or her disability. There is no separate determination of disability in order to be eligible for special provisions in the Food Stamp Program.

Individuals who are considered disabled are those who receive supplemental security income under title XVI of the Social Security Act or similar benefits in the territories. Additionally, certain veterans, their surviving spouses, or children are considered to be disabled under the statute's definition if they are receiving Veterans Administration benefits and meet Social Security definitions of severe disability.

Veterans with a service-connected disability rated at 100 percent disabled, or in need of regular aid and attendance, or who are permanently housebound are considered disabled for purposes of the Food Stamp Program.

Similarly, surviving spouses of veterans who are receiving veterans benefits are defined as disabled under the program if they are considered in need of regular aid and attendance or are permanently housebound. Children of veterans who are also receiving veterans benefits are treated as disabled in the Food Stamp Program if they are considered permanently incapable of self-support. Surviving spouses and children of veterans are also considered disabled if they have a disability considered permanent and are not subject to review for Social Security disability purposes.

In August 1982, the latest period for which information is available, 6.6 percent of participating households contained a disabled member.

The first point at which food stamp treatment of a household containing an elderly or disabled member is different from other households is in the determination of initial eligibility, and specifically the determination of income.

As noted previously, the general rule for eligiblity is that the household may not have gross income higher than 130 percent of the poverty line, and must not have net income higher than 100 percent of the percent of the poverty line. However, the sole income eligibility standard for households containing an elderly or disabled member is that their net income, after certain deductions, may not exceed 100 percent of the poverty line. The effect of this provision is to make it possible for some households with gross income above 130 percent of poverty to participate, if they contain members who are elderly or disabled, because the deductions available to the elderly and disabled are generally higher than those available to other households. It is possible to have gross income considerably above the otherwise applicable gross income ceiling of 130 percent of poverty.

Among food stamp participants, households with elderly members have relatively higher incomes, and consequently lower benefits, than households of similar size with no elderly members. About 88 percent of the elderly households have inflation-indexed income from Social Security or SSI; about 35 percent had both. As a result of this coverage, elderly households were less likely than nonelderly households (2 percent versus 9 percent in 1982) to report the absence of all income.

In 1982, 9 percent of the households with elderly members had a gross income that was less than half the poverty line—compared with 52 percent among elderly households. Over 29 percent received the $10 minimum benefit (which indicates the highest possible income to still achieve eligibility).

Like other households, households containing elderly and disabled members are entitled to a standard deduction, currently $95 per household. Since most households containing elderly and disabled members are smaller than the average food stamp household, the effective impact of the standard deduction is greater, although the actual deduction, $95 per month, is the same.

The dependent care deduction for most households may not exceed an annually indexed amount, currently $134, in combination with excess shelter costs. However, for households containing an elderly or disabled member, the ceiling for dependent care alone is $134 and is separate from the excess shelter deduction.

The excesss shelter deduction is figured separately for households containing an elderly or disabled member. As with other households, the amount of the excess shelter deduction is equal to the amount by which shelter expenses exceed 50 percent of monthly household income after all other applicable deductions have been allowed. However, in the case of households with elderly or disabled members, there is no ceiling on this deduction. Other households have a $134 ceiling on the deduction for the combined expenses for excess shelter and dependent care.

Almost 58 percent of all elderly households and 56 percent of all disabled households claim an excess shelter deduction.

One special deduction, for medical expenses, is available to the elderly and disabled but is not available to other households. Medical expenses above $35 per month per person which are incurred by elderly or disabled members are a deductible expense.

In August 1982, 10.6 percent of all elderly households used the medical deduction, with an average value of $50 per month. At the same time, 2.1 percent of the households with disabled members claimed a medical deduction, with an average value of $65 per month. [NOTE.—Approximately one-fourth of all households contain elderly or disabled members. Of all participating households, 2.2 percent claimed a medical deduction.]

The elderly and disabled, like other households, are eligible for the earned income deduction. However, only 6.4 percent of elderly households and 7.3 percent of disabled households, had earned income and claimed the deduction.

These deductions are subtracted from a household's income to determine countable, or net, income. The following table outlines the difference in calculations applying to an elderly or disabled household versus other households:

### ELIGIBLE DEDUCTIONS FOR FOOD STAMP HOUSEHOLDS [1]

[Current through Sept. 30, 1985]

| | Households with elderly or disabled members | Households without elderly or disabled members |
|---|---|---|
| Standard deduction | $95 | $95 |
| Excess shelter/unlimited | | |
| Dependent care | $134 | |
| Total—excess shelter and dependent care | | $134 |
| Medical expenses | [2] $35 | None |
| Earned income (percent) | 18 | 18 |

[1] Deductions for the continental U.S. separate levels apply for the standard deduction and the excess shelter/dependent care deduction for Alaska, Hawaii, the Virgin Islands, and Guam. See "Special Provisions for Non-Continental Areas."

[2] Amounts above $35.

#### EXAMPLE

Characteristics:

A 4-person household living in one of the 48 contiguous States or the District of Columbia;

Gross monthly income of $500, consisting of $300 in earnings and $200 in unearned income;

Shelter expenses of $320 per month; and

Medical expenses of $46.

Calculation of food stamp income, if the household contains an elderly or disabled person:

| | |
|---|---|
| Gross monthly income | $500 |
| Less standard deduction | −95 |
| Less 18 percent of earned income | −54 |
| Less medical expenses deduction | −11 |
| Subtotal | 340 |
| Less an excess shelter deduction (50 percent of countable income=$170; $320--$170=$150) | 150 |
| Countable (net) income | 190 |

Calculation of food stamp income, if the household does not contain an elderly or disabled person:

| | |
|---|---|
| Gross monthly income | $500 |
| Less standard deduction | −95 |
| Less 18 percent of earned income | −54 |
| Subtotal | 351 |

| | |
|---|---|
| Less an excess shelter deduction (50 percent of countable income=$175.50; $320−$175.50=144.50; however, maximum of $134 applies) | −134 |
| Countable (net) income | 217 |

| | Elderly/disabled | Other |
|---|---|---|
| Countable income | $190 | $217.00 |
| 30 percent of countable income (expected household contribution to its food needs) | 57 | 65.10 |
| Maximum monthly allotment for a 4-person household as established by the thrifty food plan | 264 | 264.00 |
| Food stamp allotment (benefit) equals the difference between the maximum allotment and 30 percent of countable income | [1] 207 | [2] 198.00 |

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[1] $264 minus $57 equals $207.

[2] $264.00 minus $65.10 equals $198.90 (rounded down, $198).

A second area in which special provisions apply for elderly and disabled is in the assets limit. Generally, $1,500 is the maximum that households may have in liquid assets and qualify to participate in the Food Stamp Program. The same limit applies for one-person households composed of an elderly or disabled person. However, for households composed of two or more members, one (or more) of whom is elderly or disabled, the assets test is $3,000 for the household. In August 1982, households with elderly or disabled members on average had somewhat higher asset levels than other households, but few had more than $1,000 in countable resources in spite of the higher limits.

Elderly and disabled members of a household are exempt from work registration requirements of the Food Stamp Program. The standards for exemption are set by each State using those standards applicable in unemployment compensation in that State.

Another area in which special provisions apply is with regard to the determination of the food stamp household, the actual filing unit.

As noted in the discussion of household concept, the general rule is that individuals living together who purchase food and prepare meals together are considered as a household for purposes of applying for food stamp benefits. However, two special provisions are available for the elderly and disabled.

Parents, children, and siblings who live together automatically are deemed to be a single household for purposes of establishing the filing unit. However, elderly or disabled parents or siblings are exempt from this presumption. Rather, they are permitted to attempt to establish that they purchase food and prepare meals separately from the remainder of the household. If they prove, to the satisfaction of the State agency, that they do, they may be designated a separate food stamp household.

Second, individuals who are both elderly and disabled (under a slightly more stringent definition) are permitted to file (along with a spouse) as a separate household if the income of the others with whom the individual lives (excluding the spouse) does not exceed 165 percent of the poverty line. For purposes of this definition, it must be established by a physician's certification that the person suffers from a disability which would be considered a permanent disability or from a severe, permanent, and disabling physical or mental infirmity which is not symptomatic of a disease.

With regard to actual application procedures there are also some special provisions in the case of the elderly or disabled. While households generally must make application in person at a food stamp office, States must set up special procedures to handle applications submitted by elderly and disabled household members. They may apply at the food stamp office, but if they are unable to do so, the State must make provision for home or telephone interviews. (This same provision is available to other households who, because of transportation difficulties and similar hardships, are unable to appear in person at the food stamp office.) They may apply in Social Security offices as well.

Additionally, households with an elderly or disabled member, like all households, may use authorized representatives to represent the household not only in the certification process, but also in coupon issuance and in actual food purchase at the grocery store.

Households in which all adult members are elderly or disabled and which have no earned income are exempt from the monthly reporting and retrospective budgeting requirements of the Food Stamp Program. Other households in which some, but not all, adult members are elderly or disabled may be exempt if the State petitions the Secretary of Agriculture to exempt such households and if the State can prove, to the satisfaction of the Secretary, that the inclusion of these households in monthly reporting and retrospective budgeting would not be cost effective.

Another special provision exists for the elderly and the disabled who receive SSI disability benefits and their spouses; it is known as the "dine-out" provision. This permits elderly and disabled recipients to use food coupons to pay for meals in authorized restaurants. The General Accounting Office found in 1981 that participation in this aspect of the program had been limited and major future growth seemed unlikely. (See letter report to Senator Mark Andrews and Congressmen John T. Myers and J. Kenneth Robinson, "Information on Dine-Out Feature of the Food Stamp Program," CED–81–72, Feb. 27, 1981.) Participation has continued to decline.

Although 19 States have participated in the dine-out program at one time or another, the number of concurrently participating States declined from a peak of 17 in October 1979 to 14 in 1984. The following table demonstrates the number of States and restaurants participating in the dine-out program in recent years:

NUMBER OF AUTHORIZED RESTAURANTS BY STATE

[By fiscal year]

| State | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|
| Alabama | 9 | 5 | 5 | 5 |
| Arizona | 28 | 28 | 5 | 2 |
| Arkansas | 1 | 1 | 1 | 1 |
| Florida | 139 | 108 | 107 | 46 |
| Hawaii | 31 | 29 | 34 | 37 |
| Idaho | 1 | 1 | 1 | 1 |
| Illinois |  | 1 | 6 | 5 |
| Indiana | 105 | 103 | 66 | 20 |
| Iowa | 73 | 42 | 32 | 27 |
| New York |  |  |  | 159 |
| North Carolina | 30 | 17 |  |  |

## NUMBER OF AUTHORIZED RESTAURANTS BY STATE—Continued

[By fiscal year]

| State | 1981 | 1982 | 1983 | 1984 |
|---|---|---|---|---|
| Oregon | 98 | 88 | 71 | 20 |
| South Dakota | 15 | 9 | 7 | 7 |
| Wisconsin | 1 | 2 | 2 | 2 |
| Wyoming |  | 1 | 1 | 1 |
| Total | 531 | 435 | 338 | 333 |

Source: U.S. Department of Agriculture.

Additionally, only a fraction of the restaurants authorized to redeem food coupons during the quarter ended March 1984 were actively participating. USDA indicated that only 110 restaurants out of 337 authorized, or 33 percent of those authorized, redeemed food stamp coupons during that quarter. The following table shows, by State, the number of restaurants authorized to participate during September 1984:

## AUTHORIZED AND REDEEMING RESTAURANTS AND COUPON REDEMPTIONS DURING SEPTEMBER 1984

| State | Number of authorized restaurants | Restaurants redeeming coupons |  |  |
|---|---|---|---|---|
|  |  | Number | Percent of authorized | Value of monthly redemptions |
| Alabama | 5 | 4 | 80 | $438 |
| Arizona | 2 | 0 | 0 | 0 |
| Arkansas | 1 | 1 | 100 | 20 |
| Florida | 45 | 16 | 36 | 1,337 |
| Hawaii | 37 | 30 | 81 | 12,770 |
| Idaho | 1 | 0 | 0 | 0 |
| Illinois | 5 | 0 | 0 | 0 |
| Indiana | 21 | 8 | 38 | 4,761 |
| Iowa | 26 | 8 | 31 | 581 |
| New York | 164 | 39 | 24 | 6,040 |
| Oregon | 20 | 2 | 10 | 9 |
| South Dakota | 7 | 1 | 14 | 90 |
| Wisconsin | 2 | 1 | 50 | 152 |
| Wyoming | 1 | 0 | 0 | 0 |
| Total | 337 | 110 | 33 | 26,198 |

Source: U.S. Department of Agriculture.

Other special provisions include eligibility for use of food stamps in communal dining facilities and in small group homes for SSI recipients. Additionally, several States provide cash in lieu of food stamp coupons for households in which all members are elderly or SSI recipients.

### SPECIAL PROVISIONS FOR NONCONTINENTAL AREAS

Alaska, Hawaii, Guam, and the Virgin Islands operate Food Stamp Programs that are much the same as the basic program on the mainland. The Commonwealth of the Northern Mariana Islands is authorized to operate a specially designed program. The Commonwealth of Puerto Rico operates a separate, block grant program in lieu of the Food Stamp Program. (See section entitled "Nutrition Assistance Block Grant for Puerto Rico.")

The primary differences in the Food Stamp Program in Alaska and Hawaii are in the income eligibility levels for participation and, in all noncontinental areas, the amount of the allowable deduction limits.

Income eligibility for Alaska and Hawaii is higher than in the continental United States. The earlier tables outline the applicable income eligibility standards in the continental United States compared with the noncontinental areas. (See section entitled "Income".)

These levels have been established by the Office of Management and Budget. The poverty level in these areas is higher based on Federal pay differentials resulting from substantially higher cost-of-living expenses.

The thrifty food plan allotments that are used in these noncontinental areas are also higher. The table in the section entitled "Thrifty Food Plan and Monthly Benefit Levels" outlines the current food stamp allotments compared with those used in the mainland.

Additionally, the standard deduction and the excess shelter/dependent care deduction limit for these noncontinental jurisdictions are also higher. The following table outlines the deductions applicable in these areas, as compared with the continental United States:

DEDUCTION SCHEDULES FOR THE FOOD STAMP PROGRAM [1]

| | Standard deduction | Excess shelter/ dependent care deduction |
|---|---|---|
| Continental United States | $95 | $134 |
| Alaska | 162 | 233 |
| Hawaii | 134 | 192 |
| Virgin Islands | 83 | 99 |
| Guam | 190 | 163 |

[1] Through Sept. 30, 1985.

Source: U.S. Department of Agriculture.

[Note.—The earned income deduction, 18 percent, is the same in all areas, as is the medical deduction for elderly and disabled household members.]

Several additional special provisions also apply with regard to Alaska.

Fee agents may be used to assist in the certification process in rural areas of Alaska, serving much like eligibility workers. These fee agents are non-State employees who are authorized by the State to provide applications to low-income households and assist in the completion of the applications, conduct interviews, obtain verification information, and otherwise provide assistance in the application process. However, actual determinations of eligibility are, eventually, made by the State agency.

As noted above, there is a separate thrifty food plan for Alaska, providing for separate thrifty food plan allotments in rural and urban Alaska. The division is to provide recognition in the thrifty food plan of the higher cost of food in rural areas of Alaska due to increased transportation costs and other factors.

Additionally, in Alaska, food stamps may be used to purchase equipment for procuring food by hunting and fishing, such as nets, hooks, rods, harpoons, and knives, if the Secretary determines that such households are located in an area of the State where it is extremely difficult to reach stores selling food and that such households depend to a substantial extent upon hunting and fishing for subsistence. Food stamps may not be used for transportation equipment, clothing, shelter, firearms, ammunition, or explosives.

### INDIANS

Certain special provisions also apply with regard to Indians living on reservations or belonging to a recognized tribe, the latter factor associated with Indians in Oklahoma.

Both the Food Stamp Program and the Commodity Distribution Program may be operated simultaneously on Indian reservations. However, recipients may participate in only one program or the other. The determination of whether an Indian tribal organization may administer the program on the reservation is made by the Secretary based on his assessment of whether the tribal organization has an adequate administrative capability and whether the State agency is failing to administer the Food Stamp Program on the reservation property. The Secretary is authorized to pay food stamp administrative costs in an amount he determines to be necessary—that is, higher if he so determines, than the usual 50 percent.

## METHODS OF ISSUANCE

Food stamp benefits are distributed to individual households by one of several methods, as determined by the State. States typically pay for issuance on a "per transaction" basis.

These delivery systems generally fall into the following categories:

First, a system in which an authorization to participate document (a so-called ATP card) is usually mailed each month to the recipient. To receive coupons, the recipient must surrender the ATP card at an authorized issuance office.

Second, a mail system in which coupons are mailed directly to the recipient household.

Third, a direct delivery system in which a recipient picks up the ATP card at an issuance facility and converts it to food stamp coupons with a different cashier.

Fourth, a manual system in which the participating household obtains food stamp coupons directly from a State or local food stamp office.

Fifth, a computerized system in which the household is issued a coded identification card which is used either to obtain coupons from an issuer or to use as a direct fund transfer (much like a card used to obtain cash or make other transactions at an automatic bank teller). In either case, a record of the issuance can be generated by the computer.

*Authorization-to-participate system*

In many areas, especially urban areas, households receive every month from the agency administering the Food Stamp Program an "authorization-to-participate" [ATP] card.

The card carries information on the household, including the name and address of the recipients and the benefit amount to which they are entitled for the month, expiration date of the ATP card, case file number, agency service area, and signature block.

Typically in situations where an ATP card is issued, the State or local administrative agency contracts with issuance agents, or vendors—which are often banks, check cashing services, currency exchanges, and post offices to convert the authorization-to-participate cards into food stamps which have been supplied to the issuance agent for that purpose. Coupon issuers receive a fee for each ATP transaction. The Postal Service is the largest contract coupon issuer.

After receipt of an ATP card, a household takes the ATP card to an issuance agent where it is redeemed by the household for the actual food stamp coupons. To obtain food stamp coupons, the household must present the ATP card, together with the food stamp agency identification card, and must sign the ATP card in the agent's presence. The issuer is required to compare the signatures on the ATP card and the identification card, and if the signatures match, the agent issues the coupon value specified on the ATP card to the household. Additionally, the issuer is required to write the identification card number on the ATP card.

The identification card may be a photographic identification card, at the option of the State agency, unless the Secretary of Agriculture has required photo identification to improve the integrity of the program. Thus far, the Secretary has required photo identification in the largest metropolitan areas, those serving 100,000 or more food stamp participants.

Those areas currently required by the Secretary of Agriculture to have photo identification cards are the following: Los Angeles County, CA; Washington, DC; Dade County (Miami), FL; Baltimore County, MD; Essex County (Newark), NJ; Erie County (Buffalo), NY; New York City, NY; Cuyahoga County (Cleveland), OH; Allegheny County (Pittsburgh); Philadelphia County, PA; and Milwaukee County, WI.

Several other areas have been permitted to use alternate identification systems: San Diego County, CA; Cook County (Chicago), IL; Orleans Parish (New Orleans), LA; Wayne County (Detroit), MI; Shelby County (Memphis), TN; Harris County (Houston), TX; Bexas County (San Antonio), TX; and Hidalgo County, TX.

Additionally, several areas that are not required by Federal regulations to implement it, have opted to require photo identification. The States of Arizona, Delaware, and Massachusetts now require photo identification as do the city of St. Louis, MO, and Erie, Montgomery, and York Counties in Pennsylvania.

The ATP method of issuance was used to distribute about 63 percent of all food stamp benefits issued in fiscal year 1984.

The ATP system started in the early 1970's because areas with growing food stamp caseloads did not have the capacity to distribute food stamp coupons to all recipients from local food stamp agency offices. The ATP system allowed food stamp agencies to spread the distribution function to a variety of coupon issuers, such as county or town offices, banks, post offices, and community organizations.

Food stamp regluations provide that the State agency will issue a replacement ATP card if the recipient reports that his or her original card was stolen or not received. However, duplicate, fraudulent ATP transactions can occur when—

> A recipient falsely claims that the original ATP card was lost, stolen, or never received; he or she obtains a replacement; and then transacts both ATP cards for food coupons (called recipient fraud) or;
>
> An ATP card was actually lost, stolen, or never received; the recipient receives and transacts a replacement; and a third party transacts the original ATP card (called third-party fraud).

Since 1978, in order to prevent duplicate, fraudulent transactions, Federal regulations have required State and local food stamp agencies to reconcile transacted ATP cards with their master file on participation. In February 1981, the Food and Nutrition Service required that all food stamp agencies operating an ATP issuance system report the results of their monthly reconciliations of transacted ATP cards. These reconciliation reports provide the Food and Nutrition Service with information on unauthorized transactions, such as when a duplicate ATP is issued and both the original and the duplicate are transacted. Federal regulations provide that duplicate ATP transaction losses, to the extent they could have been prevented, are a State and local food stamp agency liability.

The General Accounting Office reported that reconciliation reports showed that more than $12 million in Federal food stamp benefits are being lost annually because of duplicate transacted ATP cards. However, the GAO concluded that other losses were being incurred, but were not being reported. (See GAO report, "Millions Could Be Saved By Improving Integrity of the Food Stamp Program's Authorization-To-Participate System," January 29, 1982.) The latest figures from the Department of Agriculture indicate that ATP losses were down to $3.3 million in fiscal year 1984.

The GAO found in its 1982 report instances where duplicate transactions could have been prevented by State and local administering agencies (and thus subject to repayment to the Federal Government) but penalties were not imposed.

The GAO also noted that photo identification should help curb illegal redemption of ATP cards at certain locations. However, several of the locations identified by the GAO as having serious ATP problems are not required to use photo identification under the current criteria established by Federal regulations. The GAO urged requiring photo identification at all food stamp agencies experiencing significant duplicate ATP transactions, but not currently covered by the regulations—that is, locations with 100,000 or more participants.

There are several stages in the ATP system at which it is vulnerable to abuse—

Delayed processing of household eligibility data or inaccurate or incomplete processing of household eligibility data.—In such instances, the information submitted by households which would result in a change in benefit levels is not processed in a timely enough manner before the ATP card is issued.

Loss or theft of authorization documents.—This abuse occurs when the ATP card is lost or stolen. It greatly increases the possibility of duplicate or unauthorized issuance. Controls include alternative methods for securing, preparing, and distributing routine and nonroutine (for example, replacements) authorization documents.

Client misrepresentation/fraud at benefit delivery point.—This abuse of the program can occur in any of the over-the-counter methods. Controls include client identification procedures, requirements for authorized and emergency representatives, and authorization document verification procedures.

Cashier error resulting in overissuance.—Error occurs here when cashiers make errors in distributing food stamp coupons, resulting in an overissuance of benefits. Controls include tighter counting procedures and accounting requirements.

Loss or theft of mail issuance allotments.—This abuse takes place when ATP cards are lost or stolen at some point during the mailing of the ATP card. It increases the probability that replacements will be required. Controls include limiting mail issuance to specific persons or areas, criteria requiring use of certified or registered mail in certain instances, and methods of preparing mail issuances.

Theft from coupon storage or working inventory.—Abuse in such cases occurs when coupons are stolen before issuance, usually from inventory. Controls include security devices and inventory maintenance procedures.

### *Mail issuance*

The second most prevalent means of distribution, accounting for approximately 31 percent of all issuances in fiscal year 1984, is through the mail. Under this system, the actual food stamp coupons are mailed to recipients at their home or, in the case of those with post office boxes, post office. Use of mail issuance has increased greatly in recent years.

Especially in rural areas, mail issuance provides administrative simplicity. Unfortunately, however, mail issuance is vulnerable to abuse and fraud at a number of points during the process.

The following have been identified as categories of fraud identified with mail issuance during various investigations:

State agency employees who steal the food stamps out of the envelopes designated for recipients.

Security guards who steal them out of the mailbag between the food stamp office and the post office.

Postal employees who steal them inside the mailroom.

Postal carriers who steal them while delivering the mail.

Thieves who follow carriers on their routes and steal the mailed coupons out of the mailbox.

Recipients who report not receiving their coupons, but who, in actuality, have received the coupons.

Increasingly, in order to alleviate at least some of the possibilities for fraud in mail issuance, many areas are beginning to implement certified mail delivery. In such instances, individuals must sign a postal form acknowledging their receipt of the food stamp coupons. This provides a verifiable means of assuring that the household actually received the food stamp coupons, thus eliminating one possible source of fraud. Other variations are the use of disguised envelopes to conceal the origin of the mail, or staggered issuance dates so that food stamp coupon delivery will not be concentrated at a particular time of the month (often the first of the month).

The mail issuance loss rate has fallen from 1.07 percent in fiscal year 1981; to 0.78 percent in 1982; to 0.46 percent in fiscal year 1983; to 0.32 percent in fiscal year 1984. The Department has instituted a mail loss tolerance system which provides that mail losses during each quarter must remain under 0.5 percent within each project area in which quarterly mail issuance volume totals $300,000 or more. In other areas, the tolerance is $1,500 per quarter. Failure to remain within the tolerance level will result in the project area having to reimburse the Federal Government for the value of losses above the tolerance.

Once coupons (or ATP cards) are received, if they are subsequently lost or stolen, they are not replaced. If a household claims that the coupons were never received, the coupon allotment will be replaced no more than twice within a 6-month period. However, after the second request for a replacement of a nonreceived food stamp allotment (or ATP card) in a 6-month period, the recipient must be placed on an alternative issuance system (such as requiring the recipient to pick up the coupons or ATP card at the food stamp agency office).

### *Direct delivery system*

The direct delivery system is much like the ATP system, except that the ATP card is not mailed to the recipient. Rather, the recipient comes to the issuance agency and, upon presentation of appropriate identification, picks up the household's ATP card. The household member then may go to another cashier in the same issuance agency where the ATP card is exchanged for actual food stamp coupons. Approximately 6 percent of benefits are issued in this manner.

### *Manual system*

The manual system is much like direct delivery except that the transactions are usually conducted in the food stamp office. In such cases, the food stamp office itself serves as the issuance agent. There is no contractual agreement with banks or other institutions. This is the least-used system, accounting for about 2 percent of all issuances nationwide.

### *Computerized system*

The computerized system is also similar to the ATP system. However, rather than having an ATP card which is mailed monthly to the household, a household receives a card (similar in design to most credit cards) on which the information is encoded. This card usually contains an authorization for food stamps for a period of several months (frequently the certification period for the household).

Under this system, the household brings the card to an issuance agent where the card is inserted into a computer. If the card is valid, the household is issued food stamp coupons. The advantage of the computerized system over the traditional ATP system is that the computer can store information rapidly, and receive instructions from a central office. Thus, in the case of a card which is reported stolen, the agency would program the computer not to accept the stolen card anywhere in the system. Additionally, the State agency can determine if a household has already redeemed its monthly coupons before claiming that the card was lost, thus precluding a reissuance of coupons. Systems vary as to whether the computer can be programmed the same day to accommodate changes, or whether such changes take effect on the following day. In either case, however, such systems generally have been found to reduce the incidents of fraudulent or duplicate issuance. About 7 percent of benefits are currently issued in this way.

Much of the work being done in demonstration, or test, projects is using variations of the computerized system. For instance, attention has focused on the possibility of a debit card which could be used at a grocery store in lieu of actual paper coupons. Thus far, none of these systems is operational, although several pilot projects are pending.

The following chart, furnished by the Department of Agriculture, outlines the distribution of various issuance methods in the States as published in 1982:

DISTRIBUTION OF VARIOUS ISSUANCE METHODS

[Dollar value of State issuance types]

| Region | Number of project areas | Issuance type | | | | |
|---|---|---|---|---|---|---|
| | | (1) ATP | (2) direct mail | (3) direct delivery | (4) Manual | (5) on-line |
| Northeast: | | | | | | |
| Connecticut | 8 | 6,480,648 | | | | |
| Maine | 1 | | 6,136,711 | | | |
| Massachusetts | 6 | 16,384,853 | | | | |
| New Hampshire | 1 | | 2,395,144 | | | |
| Rhode Island | 1 | 3,440,876 | | | | |
| Vermont | 1 | | 1,690,341 | | | |
| New York | 58 | 76,302,302 | 29,505 | | | 643,792 |
| | 76 | 102,608,679 | 10,251,701 | | | 643,792 |
| | | (90.5%) | (9.0%) | | | (0.5%) |
| Mid-Atlantic: | | | | | | |
| Delaware | 3 | 2,303,646 | | | | |
| District of Columbia | 1 | 4,066,919 | | | | |
| Maryland | 24 | 9,773,505 | 5,000,754 | | | |
| New Jersey | 21 | 24,423,706 | | | | |
| Pennsylvania | 67 | 56,859,273 | | 20,116,326 | | |
| Virginia | 124 | 8,688,626 | 8,637,350 | | 983,703 | |
| West Virginia | 1 | | 15,428,447 | | | |
| Puerto Rico | 11 | 74,958,980 | | | | |
| Virgin Islands | 2 | | | | 1 850,000 | |
| | 254 | 181,074,655 | 29,066,551 | 20,116,326 | 2,833,703 | |
| | | (77.7%) | (12.5%) | (8.6%) | (1.2%) | |

## DISTRIBUTION OF VARIOUS ISSUANCE METHODS—Continued

[Dollar value of State issuance types]

| Region | Number of project areas | Issuance type | | | | |
|---|---|---|---|---|---|---|
| | | (1) ATP | (2) direct mail | (3) direct delivery | (4) Manual | (5) on-line |
| Southwest: | | | | | | |
| Arkansas | 75 | | 10,029,548 | | 2,000,000 | |
| Louisiana | 64 | 23,532,385 | | | | |
| New Mexico | 31 | | 2,076,414 | 815,569 | | 4,667,592 |
| Oklahoma | 77 | 1,388,437 | 5,553,746 | | | |
| Texas | 254 | 49,592,159 | 1,704,674 | | | |
| | 501 | 74,512,981<br>(73.5%) | 19,364,382<br>(19.1%) | 815,569<br>(0.8%) | 2,000,000<br>(2.0%) | 4,667,592<br>(4.6%) |
| Midwest: | | | | | | |
| Illinois | 102 | 12,098,624 | 3,498,958 | 30,000,000 | | |
| Indiana | 92 | 17,562,992 | | | | |
| Michigan | 83 | 11,027,495 | 6,357,826 | | | 17,017,258 |
| Minnesota | 87 | 2,364,164 | 4,949,750 | | | |
| Ohio | 88 | 35,856,876 | 8,788,297 | | | |
| Wisconsin | 77 | | 8,700,000 | 250,787 | | |
| | 529 | 78,910,151<br>(49.8%) | 32,294,831<br>(20.4%) | 30,250,787<br>(19.1%) | | 17,017,258<br>(10.7%) |
| Southeast: | | | | | | |
| Alabama | 67 | 4,399,434 | 12,151,305 | | | 9,013,457 |
| Florida | 66 | | 8,524,870 | | | 34,099,481 |
| Georgia | 159 | 18,708,588 | 6,692,582 | | 193,871 | |
| Kentucky | 120 | | 19,445,551 | 5,586,852 | | |
| Mississippi | 82 | 1,725,840 | 7,600,275 | | 8.995,866 | |
| North Carolina | 100 | 14,599,589 | 8,289,831 | | 693,480 | |
| South Carolina | 46 | 14,583,046 | 3,353,856 | | | |
| Tennessee | 95 | 10,832,370 | 15,818,151 | | | |
| | 735 | 64,848,867<br>(31.6%) | 81,876,421<br>(39.9%) | 5,586,852<br>(2.7%) | 9,883,213<br>(4.8%) | 43,112,938<br>(21.0%) |
| Mountain Plains: | | | | | | |
| Colorado | 54 | 2,347,875 | | | 4,400,754 | |
| Iowa | 99 | | 6,699,503 | | | |
| Kansas | 105 | 104,741 | 4,180,929 | | | |
| Missouri | 115 | 7,563,025 | 8,193,278 | | | |
| Montana | 55 | 1,396,181 | 592,090 | | | |
| Nebraska | 90 | | 2,778,516 | | | |
| North Dakota | 51 | 102,128 | 922,253 | | 18,821 | |
| South Dakota | 65 | 867,234 | 867,283 | | | |
| Utah | 13 | | 1,734,567 | | | |
| Wyoming | 1 | | 607,073 | 57,600 | | |
| | 648 | 12,381,184<br>(28.5%) | 26,575,492<br>(61.2%) | 57,600<br>(0.1%) | 4,419,575<br>(10.2%) | |
| Western: | | | | | | |
| Alaska | 1 | | 2,659,973 | | | |
| Arizona | 14 | | 9,782,975 | | | |
| California | 58 | 39,680,969 | 13,861,160 | 108,715 | 706,647 | |
| Hawaii | 4 | 6,044,483 | | | | |
| Idaho | 44 | 285,344 | 2,568,096 | | | |
| Nevada | 17 | 33,816 | 1,657,003 | | | |
| Oregon | 1 | 223,597 | 10,956,256 | | | |
| Washington | 39 | 4,241,775 | 8,483,549 | | | |
| Guam | 1 | 1,544,516 | | | | |
| | 179 | 52,054,500<br>(50.6%) | 49,969,012<br>(48.6%) | 108,715<br>(0.1%) | 706,647<br>(0.7%) | |
| National total | | 566,391,017<br>(59.1%) | 249,398,390<br>(26.0%) | 56,935,849<br>(6.0%) | 19,843,143<br>(2.1%) | 65,411,580<br>(6.8%) |

## APPROVAL OF FOOD STORES AND REDEMPTION OF COUPONS

Typically, participating households use their food stamp coupons in grocery stores that have been approved to accept food stamps. To be approved, a store must apply to participate and demonstrate that over 50 percent of its good sales volume consists of staple foods for home preparation and consumption. Staple foods include meat, poultry, fish, bread, cereals, vegetables, fruits, dairy products, and the like, but do not include accessory foods such as coffee, tea, cocoa, carbonated and uncarbonated drinks, candy, condiments, and spices.

Additionally, certain meal service programs of various types may be approved to accept food stamps. In addition, a limited number of wholesalers may be approved to accept food stamps from retailers or participating meal-service programs in certain instances. Because of problems associated with the participation of wholesalers, the Secretary of Agriculture has curtailed the eligibility of wholesalers to participate in the program in recent years. Approval of retail stores, wholesalers, and meal-service programs is the responsibility of the Federal Government. To remain eligible these organizations must maintain a record of integrity in the program.

Food stamps may be used to purchase food for home preparation and human consumption. Additionally, it has been Federal policy to permit the use of coupons to pay for any applicable sales tax imposed on food purchased with food stamps, although there is no statutory provision on the subject. Food stamps may not be used to purchase alcohol, tobacco, or hot foods intended for immediate consumption other than through certain meal-service programs. Nonfood products frequently used at home, such as cleaning products, paper and plastic products, and so forth, and food products not for human consumption, such as pet foods, are not permitted to be bought with food stamps.

It should be noted that while the thrifty food plan (which provides the basis for actual food stamp benefit calculations) is based on the purchase of low-cost nutritious foods, there is no requirement in the Food Stamp Act that requires recipients, when using their monthly benefits, to purchase only such foods.

The sale of ineligible items in exchange for food stamp coupons is a violation of the Food Stamp Program. Each store is required to display a sign providing information on how individuals may report food stamp abuses they have observed. Complaints about stores selling ineligible items should be made to the Compliance Branch of the Food and Nutrition Service of the Department of Agriculture. Typically, the Compliance Branch will then send in undercover agents to attempt to make purchases of ineligible items with food stamp coupons. It has not been the Department's general policy to eliminate a retail store upon a first visit which reveals a violation of the Food Stamp Act or regulations. Rather, the Department has usually operated in such a fashion as to require multiple store visits and multiple violations before a disqualification or civil money penalty imposed.

Under current practice, the store may continue to redeem food stamps while the Department pursues the disqualification through an administrative hearing or through the courts. Upon a final determination of a violation, the store is disqualified for a specified amount of time, determined by the Secretary.

For certain violations, the Compliance Branch may turn the investigations over to the Office of Inspector General. These cases involve trafficking in, or discounting, food stamp coupons. In such cases, individuals attempt to trade food stamp coupons for cash, often with retail store employees or owners. In such arrangements, the store may pay, for instance, 50 cents in cash for every $1 in food stamp coupons. The store then attempts to redeem the coupons for $1 through the normal redemption procedures.

Other flagrant violations of the program occur when individuals attempt to use food stamp coupons as a second currency in exchange for various items, legal and illegal. In recent years, cases have occurred in which food stamps were used to purchase, among other things, guns, television sets, cars, and various illegal drugs.

The following chart outlines the investigations of the Compliance Branch of the Food and Nutrition Service in recent years, including the percentage of violations discovered:

STORE INVESTIGATIONS CONDUCTED BY THE COMPLIANCE BRANCH, FNS FOR FISCAL YEARS 1977–84

| Fiscal year | Cases or investigations | Evidence of violations | Percent of violations | Warrant possible disqualification | Trafficking food stamps | Sent to OIG for escalation | Accepted by OIG for escalation |
|---|---|---|---|---|---|---|---|
| 1977 | 2,370 | 1,220 | 51.5 | 896 | 17 | 900 | 40 |
| 1978 | 4,449 | 2,657 | 59.7 | 1,436 | 94 | 1,920 | 143 |
| 1979 | 4,203 | 2,659 | 63.3 | 1,796 | 108 | 1,074 | 171 |
| 1980 | 4,292 | 2,544 | 59.3 | 1,605 | 169 | [1] 220 | 156 |
| 1981 | 4,729 | 2,718 | 59.5 | 1,754 | 199 | 237 | 124 |
| 1982 | 5,455 | 3,009 | 56.0 | 1,841 | 239 | 290 | 203 |
| 1983 | 4,265 | 2,363 | 54.3 | 1,274 | 201 | 222 | 96 |
| 1984 | 4,647 | 2,394 | 54.5 | 1,461 | 140 | 159 | 46 |

[1] Prior to April 1979, all CB investigations containing evidence of 3 or more violative transactions of any type were transferred to OIG for escalation. Since April 1979 only those cases involving food stamp discounting or other evidence of probably felony level violations are referred to OIG. Thus, most of those referred to OIG in the last several years have been accepted.

Investigations are generally prompted in one of two ways. Complaints from citizens, law enforcement officials, or others are frequently made to the Department of Agriculture. Secondly, computer analysis of retailers' food stamp business is made on a regular basis. The computer provides monthly reports which show the ratio of food stamp redemptions to food sales in each store, compared with the ratio of stores in the same geographical area. A store with an appreciably higher ratio than that of its competitors is looked at very carefully. As noted in the preceding chart, investigations by the Compliance Branch have produced high percentages of violations among stores investigated.

About one-third of the investigations lead to disqualifications. (Some firms were assessed civil money penalties in lieu of disqualification.) The following table outlines the number and periods of disqualification which have been given to retail stores for violations of the Food Stamp Act under the new, minimum penalties established in 1982:

## NUMBER OF AUTHORIZED FOOD FIRMS DISQUALIFIED AS THE RESULT OF INVESTIGATIONS CONDUCTED BY THE COMPLIANCE BRANCH, FNS FOR FISCAL YEARS 1983 AND 1984

| Period of disqualification | Fiscal year— | |
|---|---|---|
| | 1983 | 1984[1] |
| 30 days | 69 | 9 |
| 60 days | 161 | 9 |
| 90 days | 20 | 6 |
| 6 months | 204 | 74 |
| 1 year | 677 | 86 |
| 3 years | 106 | 95 |
| Other | 104 | 193 |

[1] Fiscal year 1984 (October 1983–March 1984).

Note.—The 30-, 60-, and 90-day disqualifications in the chart are carryovers initiated before the 1982 law was implemented; they taper off significantly early in fiscal year 1984. "Other" includes any 5-year of longer disqualifications period. The early fiscal year 1984 results again illustrate the effect of the new law ("Other" represents 41 percent of all disqualifications during that 6-month period).

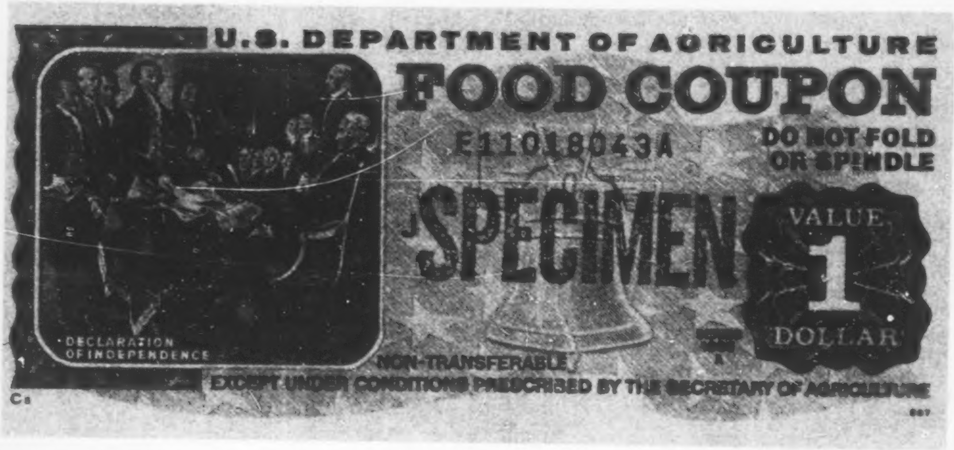
Source: U.S. Department of Agriculture.

In 1982, the penalties were increased so that the minimum penalty for a first disqualification is now 6 months disqualification. The minimum penalty for a second disqualification is 12 months. Retail stores are permanently disqualified upon a third disqualification, or any disqualification involving trafficking. (For further discussion of penalties, see section entitled "Enforcement of Program Rules and Penalties for Violations.")

In fiscal year 1984, a total of 234,494 outlets were authorized to redeem coupons. These included 230,111 retailers, 1,797 communal dining facilities, 1,267 Meals-on-Wheels Programs, 658 institutions, 333 restaurants, and 308 wholesalers.

Food stamps in denominations of $1, $5, and $10 are issued in booklets. Federal regulations require that food stamp coupons not be detached from the booklets in which they are issued until presentation at the check-out counter in the grocery store. This is to ensure that the booklet bearing the serial number of the coupons and the serial number on the coupons match. The following are samples of food stamp coupons which were used in the program several years ago:

BEST AVAILABLE COPY



U.S. DEPARTMENT OF AGRICULTURE

FOOD COUPON

E11018043A

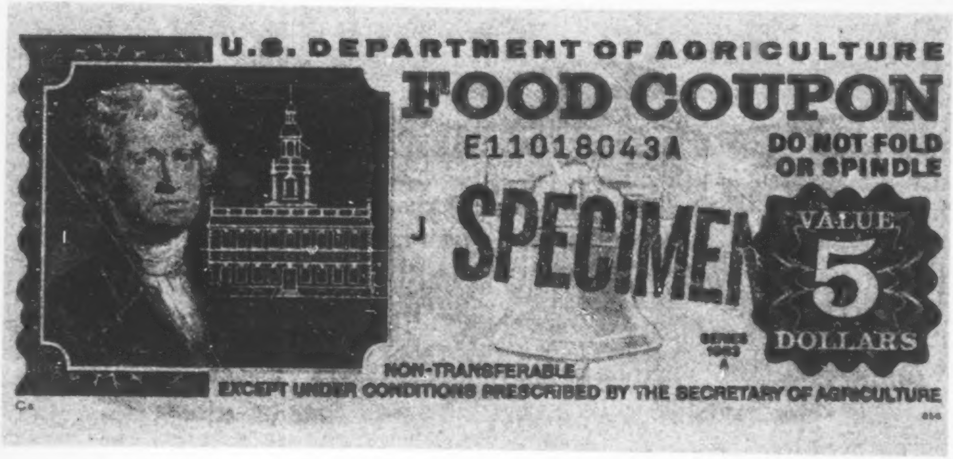
DO NOT FOLD
OR SPINDLE

SPECIMEN

VALUE
1
DOLLAR

DECLARATION
OF INDEPENDENCE

NON-TRANSFERABLE
EXCEPT UNDER CONDITIONS PRESCRIBED BY THE SECRETARY OF AGRICULTURE



U.S. DEPARTMENT OF AGRICULTURE

FOOD COUPON

E11018043A

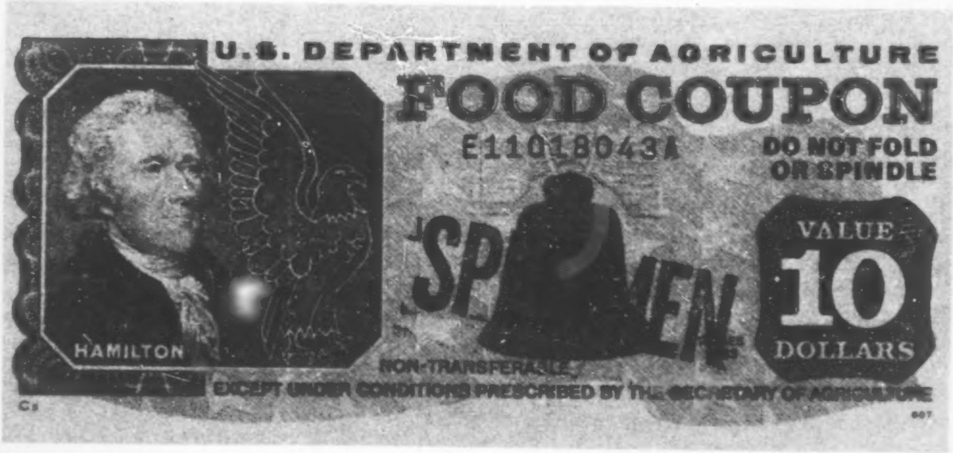
DO NOT FOLD
OR SPINDLE

SPECIMEN

VALUE
5
DOLLARS

SERIES
[illegible]
A

NON-TRANSFERABLE
EXCEPT UNDER CONDITIONS PRESCRIBED BY THE SECRETARY OF AGRICULTURE



U.S. DEPARTMENT OF AGRICULTURE

FOOD COUPON

E11018043A

DO NOT FOLD
OR SPINDLE

SPECIMEN

VALUE
10
DOLLARS

HAMILTON

NON-TRANSFERABLE
EXCEPT UNDER CONDITIONS PRESCRIBED BY THE SECRETARY OF AGRICULTURE

When change is necessary after a purchase with food stamp coupons, all change of $1 or more must be in food stamp coupons, however, change of 99 cents or less is in cash. In instances in which the retailer observes a pattern of a recipient purchasing small items in an apparent attempt to accumulate change, for possible purchase of ineligible items, the retailer may, under the regulations, deny further service to the individual.

In certain cases, other uses of food stamps are permitted in addition to their use in food stores for the purchase of food. Food stamp coupons may be used for seeds and plants for use in gardens to produce food for personal consumption by the eligible household.

Food stamps may be used for meals prepared and served in approved drug addiction and alcoholic treatment programs, small group homes for the disabled, and shelters for battered women and children.

In the case of elderly and disabled recipients, food stamps may be used for meals prepared and served through approved communal dining programs for elderly and disabled, including meals in senior citizens centers, meals served in restaurants at concessional prices under an agreement with the appropriate State agency (the dine-out program), and meals served through similar programs directed at the elderly and disabled.

In certain remote areas of Alaska, food stamps may be used for equipment for procuring food by hunting and fishing (excepting firearms, ammunition, explosives, and equipment for transportation, clothing, or shelter). (See earlier section entitled "Special Provisions for Non-Continental Areas.")

Once they have accepted food stamps, retailers, wholesalers, and approved meal service programs deposit them in a financial institution. Only institutions insured by the Federal Deposit Insurance Corporation [FDIC] and the Federal Savings and Loan Insurance Corporation [FSLIC] are permitted to accept deposits of food stamps. The food stamp coupons are accompanied by a redemption certificate which accompanies the coupons to a Federal Reserve bank. The redemption certification is a tracking device for the Food and Nutrition Service Automated Data Processing Center in Minneapolis, MN. The coupons are credited to the depositor's account, subject to confirmation as legitimate coupons, and are eventually redeemed, through the Federal Reserve System, by the U.S. Treasury.

Bank policies differ as to how quickly they will credit food stamps to the account of the depositor. Some require a waiting period while the coupons are cleared through the Federal Reserve System.

In the last several years, some banks have begun to charge a fee to depositors for handling food stamps, particularly when the stamps are presented in irregular, or unbundled, amounts. (Regular bundles are 100 coupons of each denomination.) The bank which receives the food stamp coupons counts and bundles the coupons, fills out a deposit slip to the Federal Reserve bank, and forwards the coupons, deposit slip, and redemption certificate to the Federal Reserve bank. The Federal Reserve bank verifies the coupon count and checks for possible counterfeit coupons.

The Federal Reserve bank then confirms the earlier credit to the recipient bank with the appropriate sum and destroys the coupons. After this destruction, the Federal Reserve bank withdraws a matching total from the Food and Nutrition Service account in the USDA appropriation, and returns the redemption certificate. Additionally, the Federal Reserve charges the Food Stamp Program for administrative costs it incurs in the redemption process.

Criminal penalties exist for anyone, including all retailers and other participating institutions, to present food stamp coupons to a financial institution for payment or redemption, knowing that they have been received, transferred, or used in any manner that violates the Food Stamp Act or regulations thereof. (See section entitled "Enforcement of Program Rules and Penalties for Violations".)

Another problem which can occur is the counterfeiting of food stamp coupons. In recent years, the quality of the actual food stamp coupons has been improved, thereby making counterfeit coupons more readily identifiable. Like currency, food stamp coupons have certain printing devices which make detection possible. However, such detection often does not occur until the coupons are processed through the Federal Reserve bank. The Secret Service within the Department of the Treasury has the primary responsibility for investigating instances of counterfeiting of the Federal Government's obligations, including food stamp coupons.

## ENFORCEMENT OF PROGRAM RULES AND PENALTIES FOR VIOLATIONS

Responsibility for enforcement of Food Stamp Program rules and regulations is shared by Federal, State, and local authorities. As a general rule of delineation, State and local officials handle "recipient fraud" cases while Federal law enforcement officials handle other, nonrecipient cases.

Because the program is administered by State and local welfare agencies, the primary responsibility for investigation and prosecution of program violations rests with State and local officials. The first aspect of antifraud activities is through preventive methods associated with verification. (See earlier discussion in section entitled "Means of Verification.") As noted earlier, the normal Federal share of State costs associated with administering the program is 50 percent. However, a higher figure is available for certain expenses intended to provide more efficient and effective administration of the program and to investigate and prosecute program violations.

Two separate provisions within the Food Stamp Program provide 75 percent funding for specified activities. States that develop, install, or upgrade computerization in their Food Stamp Programs receive this increased, 75 percent, funding. Additionally, expenses associated with investigating and prosecuting food stamp fraud cases can be reimbursed at 75 percent funding. In fiscal year 1984, all areas, except North Dakota, Wyoming, Guam, and the Virgin Islands used the 75-percent funding for antifraud activities to some degree.

The Office of Inspector General of USDA released an audit of the 75-percent funding for fraud-related activities in 10 States in November 1983. The Inspector General's report concluded that States had routinely requested and been paid the higher funding for activities that were noninvestigative in nature. The OIG also found that costs directly attributable to other Federal and State assistance programs and reimbursable at a lesser rate in those programs, had been charged at the higher 75 percent Food Stamp Program rate. (See "Food and Nutrition Service Food Stamp Program Effectiveness of the 75 Percent Provisions for Fraud Control Activities," Office of Inspector General, U.S. Department of Agriculture, Nov. 21, 1983.)

In cases involving overissuances to recipients, the general procedure is for State food stamp officials to refer any case involving potential fraud to a State unit for an investigation to determine whether sufficient evidence of fraud exists. If the evidence is believed to be sufficient, the case is referred for adjudication through either the courts or an administrative fraud hearing process, usually within the welfare department.

The administrative fraud hearing process was established in response to recommendations from the General Accounting Office and the Office of Inspector General both which had pointed out numerous problems States were having adjudicating cases of alleged food stamp fraud through State and local courts. (See "The Food Stamp Program—Overissued Benefits Not Recovered and Fraud Not Punished," CED-77-112, July 18, 1977.)

The administrative fraud hearing was intended to provide a more prompt, and less costly, means for adjudicating fraud cases. However, both the General Accounting Office and the Office of Inspector General have continued to raise questions about the effectiveness of adjudication of these cases, including the use of the administrative fraud hearing procedures now in place.

A followup report by the GAO in 1983 indicated that States continued to face several obstacles to efficient and effective fraud adjudication. (See "Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud," RCED-83-40, Feb. 4, 1983.) The Office of Inspector General noted similar shortcomings as part of its November 1983 audit cited above. The reports noted a combination of factors that may cause local prosecutors not to pursue food stamp fraud cases: (1) They are not interested in pursuing food stamp fraud cases, (2) do not feel food stamp fraud is a prosecutable offense, (3) establish such a high dollar threshold before they will consider a case, that most food stamp cases never reach the courts, or (4) they believe that food stamp fraud is a Federal matter.

The OIG noted a backlog of cases awaiting adjudication either through the administrative fraud hearing procedures or through the courts. Both OIG and GAO noted difficulties in obtaining collections as a result of the hearings.

According to the latest information from the Department of Agriculture, 35 States used administration fraud hearings and prosecutions during fiscal year 1983. Four States used only fraud hearings, 13 States used only prosecutions, and 2 States used neither.

The following table outlines the number of cases adjudicated during fiscal year 1983:

| State | Administrative fraud hearings [1] and prosecutions in court | Prosecutions completed |
|---|---|---|
| Alabama | 1,121 | 481 |
| Alaska | 21 | 4 |
| Arizona | 564 | 59 |
| Arkansas | 221 | 245 |
| California | 508 | 2,078 |
| Colorado | 284 | 111 |
| Connecticut | 0 | 206 |
| DC | 3 | 4 |
| Delaware | 177 | 107 |
| Florida | 778 | 1,556 |
| Guam | 0 | 0 |
| Georgia | 11 | 419 |
| Hawaii | 0 | 28 |
| Idaho | 72 | 14 |
| Illinois | 87 | NA |
| Indiana | 77 | 128 |
| Iowa | 323 | 30 |
| Kansas | 295 | 132 |
| Kentucky | 305 | 101 |
| Louisiana | 386 | 98 |
| Maine | 45 | 0 |
| Maryland | 0 | 195 |
| Massachusetts | 567 | 567 |
| Michigan | 640 | 1,809 |
| Minnesota | NA | 250 |
| Mississippi | 560 | 322 |
| Missouri | 6 | 1,287 |
| Montana | 0 | 21 |
| Nebraska | 15 | NA |
| Nevada | 412 | 64 |
| New Hampshire | 0 | 49 |
| New Jersey | 485 | 156 |
| New Mexico | 27 | 32 |
| New York | 1,385 | 1 |
| North Carolina | 1,245 | 565 |
| North Dakota | 39 | 9 |
| Ohio | 88 | 688 |
| Oklahoma | 0 | 76 |
| Oregon | 14 | 101 |
| Pennsylvania | 0 | 1,749 |
| Rhode Island | 80 | 30 |
| South Carolina | 41 | 122 |
| South Dakota | 21 | 17 |
| Tennessee | 1,704 | 551 |
| Texas | 4,245 | 1,503 |
| Utah | 0 | 8 |
| Vermont | NA | 45 |
| Virgin Islands | 6 | 1 |
| Virginia | 0 | 851 |
| Washington | 834 | 6 |
| West Virginia | 21 | 92 |
| Wisconsin | 0 | 55 |
| Wyoming | 0 | 0 |
| United States | 17,713 | 17,023 |

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[1] Administrative fraud hearings and prosecutions in court.

The use and success of administrative fraud hearings has been increasing:

| | Fiscal year— | | | |
|---|---|---|---|---|
| | 1981 | 1982 | 1983 | 1984 |
| Fraud hearings upheld | 6,552 | 10,821 | 15,542 | 20,106 |
| Persons disqualified | 3,821 | 9,042 | 14,926 | 17,281 |

Source: U.S. Department of Agriculture.

Cases investigated range from those involving several dollars a month to several thousand dollars in the course of a year or more of participation. Probably the largest case, still being investigated, was the theft of $4.8 million in food stamps from the Federal Bank Note Corporation in Philadelphia, PA, in December 1983.

While local prosecutors are the most likely to handle cases, Federal prosecutors (U.S. district attorneys) do prosecute some cases, especially those with flagrant violations resulting in large-scale abuses in terms of dollars.

In addition to State and local law enforcement investigations, the Office of Inspector General may be involved in certain investigations. The Office of Inspector General is responsible for the investigative oversight of all U.S. Department of Agriculture programs, including the Food Stamp Program. The Inspector General maintains a "hot line" for information on abuses of all USDA programs, including the Food Stamp Program. Anyone with information about any abuse of the food stamp or other USDA program may call a toll-free number, 800-447-2967, from outside of the Washington, DC, area, or write to the Office of Inspector General, U.S. Department of Agriculture, P.O. Box 23399, Washington, DC, 20026. Historically, the Inspector General's Office has been most active, with respect to the Food Stamp Program, in encouraging the increased use of computerization by States, in auditing State implementation of certain requirements such as wage matching and 75 percent fraud funding, and in investigating cases of trafficking in food stamp coupons.

Other agencies with investigative responsibilities involving the Food Stamp Program include the Secret Service within the Department of the Treasury. The Secret Service is responsible for the investigation of all cases involving counterfeiting. Additionally, since 1984, the Secret Service has assumed more of the responsibility for investigation of trafficking cases.

The Compliance Branch of the Food and Nutrition Service has the primary role in investigating cases of abuse by retail food stores. Those with information about violations can call any of the seven regional offices of the Food and Nutrition Service within the Department of Agriculture.

Other Federal law enforcement agencies may be involved in food stamp investigations, particularly when a food stamp violation occurs in connection with another program (involving other Offices of Inspectors General), theft through the mails (postal inspectors), and illegal drug purchases or interstate crimes (Federal Bureau of Investigation).

The Food Stamp Program is subject to fraud and abuse at a number of stages in the program. Because of increased concern about fraud and abuse, Congress has increased the penalties for these activities in recent years, as well as established new mechanisms for detecting fraud and abuse. (See section entitled "Means of Verification.")

In terms of the number of individuals involved, recipient abuse clearly accounts for the largest frequency, and the most dollars, in the Food Stamp Program. Information from the quality control system and audits performed by the General Accounting Office and the Office of Inspector General of USDA consistently indicate that recipient fraud causes the largest drain on the Food Stamp Program.

The primary method of perpetrating recipient fraud is understating actual household income. Because benefit levels are established based on the household's reported income, a smaller reported income results in the issuance of a larger food stamp allotment.

Overstating the household size also results in the overissuance of monthly benefits. The same is true for understating of household assets. The General Accounting Office reported in 1982 that the vast majority of overissuances (and underissuances) stem from errors in determining income, assets, and household size. Incorrect information on earned and unearned income caused two-thirds of the Food Stamp Program losses in eight States reviewed by GAO. (The eight States surveyed represented 25 percent of total Food Stamp Program issuances.) (See GAO testimony on Mar. 29, 1982, before the Senate Committee on Agriculture, Nutrition, and Forestry, and GAO report, "Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud," Feb. 4, 1983.)

Other sources of misinformation resulting in overissuances include:

Neglecting to report changes in earnings;
Concealing countables resources;
Providing inaccurate information on utility expenses, which contribute to the household's excess shelter deduction; or
Overstating medical expenses.

Cases in which an overissuance occurs, but in which the individual is not considered to have intentionally caused the overissuance, are considered "nonfraud" cases. While there are no disqualification periods in nonfraud cases, the household is expected to repay the overissuance. The method used is through a reduction in the subsequent months' benefits. In such nonfraud cases, the reduction in benefits may be no greater than 10 percent of the monthly allotment, or $10, whichever is greater. (There is no mandatory collection when the State agency caused the overissuance error.)

Administrative or criminal sanctions may be imposed on individuals who violate the Food Stamp Act of 1977. The act specifies certain administrative sanctions which the Secretary of Agriculture is empowered to impose or which are automatically imposed for proven violations. These penalties are applicable to persons and to approved retail food stores and wholesale food concerns that participate in the Food Stamp Program.

### *Administrative sanctions*

Participants may be automatically disqualified from food stamp eligibility for violations which are typically termed "fraud" or "misrepresentation." Specifically, the act provides that any person who has been found by any State or Federal court, or any administrative agency, to have intentionally

(1) Made a false or misleading statement, or misrepresented, concealed, or withheld facts, or

(2) Committed any act that is in violation of the Food Stamp Act of 1977, the regulations issued under that act, or any State statute for purposes of acquiring, receiving, using, presenting, processing, or transferring food coupons or authorization cards

shall be ineligible to participate further in the Food Stamp Program for a specified period of time.

Upon a conviction in court or an administrative finding of a program violation, the participant is ineligible to participate in the Food Stamp Program for 6 months as the result of an initial violation, 1 year for a second violation, and permanently for a third violation.

Each State agency that administers the Food Stamp Program must proceed against any individual alleged to have engaged in the illegal conduct outlined above, either administratively or by referring the matter to the appropriate authorities for commencement and prosecution of a civil or criminal action in court.

No household is permitted to receive increased food stamp benefits as the result of a member of that household having been declared ineligible to participate in the Food Stamp Program. Under prior law, household food stamp benefits sometimes increased when a member of the household was declared to be ineligible to participate. This occurred because, although the size of the household was reduced and, as a result, potential food stamp benefits were also reduced, the disqualified member may have had substantial income which was not counted as being available to the remainder of the household. Under current law, all of the disqualified individual's income and assets are treated as being available to the remainder of the household and, thus, are counted in determining the food stamp benefit level for the remaining household members.

Participants who are found—either by a court or administrative fraud hearing—to have committed fraud or misrepresentation must pay back to the State agency the amount of the overissuance that they received as a result of the violation. The disqualified individual must agree to repayment, either in cash or by allotment reduction when the individual reenters the program. (See section entitled "Overissuances and Collections" for a further description of the procedures for collecting overissuances.)

The States are required to disclose to the Department of Agriculture the identities of all persons who have been disqualified from participating in the Food Stamp Program. This information is then disseminated to the various jurisdictions that administer the Food Stamp Program, to ensure that participation disqualifications are enforced against those disqualified persons who move from one jurisdiction to another.

Separate sanctions apply for violations of the program perpetrated by approved retail stores and wholesale food concerns. Specifically, any approved retail food store or wholesale food concern that violates any provision of the act or regulations shall be disqualified from participating in the Food Stamp Program—

(1) For a period not less than 6 months nor more than 5 years for an initial violation;

(2) For a period not less than 1 year nor more than 10 years for a second violation; and

(3) Permanently for a third violation, or for any initial violation based on the purchase of coupons or trafficking in coupons or authorization cards.

An alternative penalty is available, at the discretion of the Secretary of Agriculture, for first and second violations incurred by food stores in areas where other food stores serving food stamp recipients are not available. In such cases, stores may be required to pay a civil money penalty of up to $10,000 per violation in lieu of being disqualified from participating in the Food Stamp Program if the Secretary determines that disqualification of the store would cause hardship to food stamp households.

The Secretary also has an additional administrative remedy which, while not a sanction, does serve to safeguard the integrity of the Food Stamp Program. The Secretary has the authority to require any participating store to post a bond if the store has been disqualified from participating in the Food Stamp Program or has been required to pay a civil money penalty. The purpose of this bond is to reimburse the Secretary for the value of any food coupons that the store may, at some future time, accept and redeem in violation of the act.

Should the Secretary's decision to impose a disqualification or a civil money penalty be appealed, the statute makes the Secretary's decision subject to review in Federal district court.

*Criminal sanctions*

In addition to program disqualifications, the act provides for the imposition of certain criminal sanctions by the courts for proven violations of the Food Stamp Act of 1977. Specifically, the act provides for the imposition of either felony or misdemeanor penalties for specified violations of the act, depending on the value of coupons involved in the violation.

The statute provides that whoever knowingly acquires, possesses, uses, transfers, or alters coupons or authorization cards in any manner not authorized by the act or regulations shall, if the coupons or authorization cards have a value of $100 or more, is guilty of a felony. If the coupons or authorization cards have a value less than $100, the individual will be guilty of a misdemeanor. In the case of a felony conviction, a sentence of up to 5 years imprisonment or a $10,000 fine, or both, may be imposed. For the second and any subsequent felony conviction, a minimum prison terms of at least 6 months is mandated. The penalty for a misdemeanor conviction is imprisonment for not more than 1 year or a fine of not more than $1,000, or both, with imprisonment mandatory for the second and subsequent convictions.

In the case of any individual convicted of a felony or misdemeanor violation, the court may permit the individual to perform court-approved work for purposes of making restitution for the losses incurred by the Government as a result of the individual's crime. If the court authorizes the defendant to perform this work and if the work is completed successfully, the court has the discretion to suspend the defendant's sentence. Any suspension, however, does not nullify the defendant's conviction.

Additional penalties apply to those who attempt improperly to convert food stamps to cash through a financial institution. Whoever presents (or causes to be presented) food stamp coupons to a financial institution for payment or redemption, knowing that they have been received, transferred, or used in any manner that violates the act or regulations is, if the coupons or authorization cards have a value of $100 or more, guilty of a felony, and, if the coupons or authorization cards have a value less than $100, guilty of a misdemeanor. In the case of a felony conviction, a sentence of up to 5 years imprisonment or a $10,000 fine, or both, may be imposed. The provision for a mandatory prison term is tougher, and there is no provision to be exempted from serving the prison sentence. For the second and any subsequent felony conviction under this provision, a minimum prison term of at least 1 year is mandated. The penalty for a misdemeanor conviction is imprisonment for not more than 1 year or a fine of not more than $1,000, or both, with imprisonment mandatory for the second and subsequent convictions.

In the case of a criminal conviction under these felony and misdemeanor violations, the statute also authorizes the court to order that the convicted individual be suspended from participating in the Food Stamp Program for up to 18 months. This court-ordered suspension is in addition to the disqualification periods previously described.

Issuers of food stamp coupons are also subject to penalties for violations of the program. Each issuer of food coupons must file a periodic operations report detailing its inventory of food coupons and its activities associated with the issuance of coupons from its inventory. Any food coupon issuer, or any officer, employer, or agent of the food coupon issuer, who is convicted of knowingly providing false information in the coupon issuer's operations report can be imprisoned for not more than 5 years or fined not more than $10,000, or both. The statute also provides that any food coupon issuer, or any officer, employee, or agent of the food coupon issuer who is convicted of failing to provide the periodic operations report to the Secretary, or of violating any of the regulations governing food coupon inventories held by the issuer for the delivery of food coupons to issuers, shall be imprisoned for not more than 1 year or fined not more than $1,000.

In addition to the specific criminal sanctions set forth in the Food Stamp Act of 1977, there are other general criminal provisions which could apply to criminal misuse of the Food Stamp Program. For example, the statute specifies that food stamp coupons are "obligations of the United States." This causes the Federal counterfeiting statutes to apply to any act of passing, uttering, or selling forged, counterfeited, or altered food coupons (18 U.S.C. 462). The penalty for passing, uttering, or selling counterfeit food coupons is imprisonment for not more than 15 years or a fine of not more than $10,000, or both.

The mail or wire fraud statutes can also be used to combat fraud in the Food Stamp Program, since these statutes are applicable to any scheme or artifice to defraud or for obtaining money or property by false pretenses that uses the mails or wire, radio, or television communications to further the scheme (18 U.S.C 1341, 1343). The penalty for use of the mails or wire, radio, or television communications in the perpetration of a fraud is imprisonment for not more than 5 years or a fine of not more than $1,000, or both.

In addition to these Federal statutes, violators may be subject to State laws, particularly with regard to fraud and misrepresentation and violations of the program by State personnel, such as eligibility workers.

### *Other food stamp sanctions*

The Food Stamp Program also establishes disqualification periods for other types of program violations as noted in previous sections. Households in which the head of household is employed and quits his or her job are deemed ineligible for food stamp participation for 90 days. Similarly, households containing individuals required to perform workfare jobs (in States and localities requiring workfare for able-bodied recipients) are disqualified for 2 months if they fail to perform their workfare obligation. (See discussion under "Work Registration.") Households that knowingly transfer assets for the purpose of qualifying or attempting to qualify for the Food Stamp Program are ineligible to participate for 1 year. (See section entitled "Other Limitations on Eligibility.")

### *Penalties for noncompliance with other programs' requirements*

The food stamp statute provides a method for reinforcing a penalty for fraud or other intentional violation issued to a food stamp recipient by another welfare program. The provision prohibits any increase in food stamp benefits to households on which a penalty, resulting in a decrease in income, has been imposed for intentional failure to comply with a Federal, State, or local welfare law. The provision was added in 1982. Prior to that time, when another program penalized a food stamp recipient household with a decrease in cash benefits for intentional failure to comply with its requirements (for example, intentional failure to report income or intentional disregard of a workfare requirement), food stamp benefits increased because the household had less income. In effect, the old policy mitigated the effect of penalties for intentionally disregarding other program's rules and made those penalties less effective as a deterrent. The new policy is intended to reinforce the rules of other programs and to encourage recipient compliance with all welfare laws.

A similar requirement applies with regard to work requirements. Participants failing to satisfy a work requirement of another program, for which they are receiving exemption from food stamp work registration (for example, WIN and unemployment compensation), would at the same time, fail to meet the Food Stamp Program's work criteria and lose eligibility for the household until such time as the criteria are fulfilled.

## OVERISSUANCES AND COLLECTIONS

Overissuances occur in the Food Stamp Program when recipient households receive monthly benefits to which they are not entitled based on eligibility criteria.

These overissuances occur when States issue food stamps to ineligible households or overissue benefits to eligible households. Additionally, underissuances may occur when errors are made which result in households receiving fewer benefits than the amount to which they are entitled.

Both types of errors, overissuances and underissuances, may result because of recipients or State agencies. Recipients may, deliberately or inadvertently, fail to provide all of the necessary information for determining their eligibility and benefit levels. State agency errors occur when the subsequent calculation of benefits derived from correctly furnished information results in mistakes in the amount of benefits that are issued.

Most overissuances of food stamp benefits occur because of errors in reporting or determining income. The General Accounting Office examined eight States for the 6-month quality control period October 1, 1980, through March 31, 1981, and compiled the a table showing the distribution of various types of errors. (See section entitled "Means of Verification.")

The GAO findings are consistent with overall figures coming from each State's quality control information, as reported by the Food and Nutrition Service. The quality control system is a national requirement that requires each State to undertake a statistically valid sample of its eligibility and monthly benefit issuances. The results of these samples provide management with informatin for devising corrective actions to reduce erroneously issued benefits and serve as the basis for establishing State financial liability for excessive erroneous overpayments. (See section entitled "Quality Control and the Error Rate Sanction System" for a further discussion of the quality control system.)

The results of these State quality control reviews provide a statistical basis for projecting the percentage of food stamp benefits (in dollar terms) that were overissued and underissued in the Food Stamp Program eligibility and benefit determination process. (See section entitled "Quality Control and the Error Rate Sanction System.") Because errors are determined in the aggregate based on quality control samples, the General Accounting Office reported that, other than for those in the sample, good information is not available on specific instances of incorrect issuances in the State. Information on specific cases is necessary so benefit levels can be adjusted, underissuances restored, or collection of overissuances initiated.

As a general rule, households are expected to repay in cash or through a reduction in benefits, any overissuance which the household is judged to have received. As noted earlier, an administrative review process is available to households that contest an agency determination that an overissuance has occurred. (See section entitled "Enforcement of Program Rules and Penalties for Violations".)

Other forms of collection may occur through several methods depending on the nature of the violations. Cases in which intentional misrepresentation has occurred are typically termed "fraud" violations. In such fraud cases, when the household reenters the Food Stamp Program after disqualification, monthly benefits are to be reduced in order to collect the amount of the overissuance if a cash repayment has not been made. For instance, if $100 were overissued, a household's benefits might be reduced $20 a month over 5 months in order to collect the value of the overissuance. Other cases in which the program violation is not considered intentional are typically termed "nonfraud" cases. In nonfraud cases, the limitation on collection is $10 per month or 10 percent of the household's allotment whichever would result in faster collection.

There are often considerable difficulties, however, in collecting from households that are no longer participating in the Food Stamp Program. Such households are sent a notification that an overissuance has occurred, and a repayment is requested. In practice, repayment is essentially voluntary, although other means of collection may be used by States.

Other overissuances may occur when mistakes are made on the part of agency personnel. Again, such households are sent a notification of the overissuance and a request for repayment is made. However, further action to obtain repayment beyond the notice, may not be taken against households whose overissuances resulted from State agency error, even when these households continue to receive food stamp benefits in subsequent months.

The General Accounting Office has noted that relatively few overissued food stamp benefits have been recovered. (See "The Food Stamp Program—Overissued Benefits Not Recovered and Fraud Not Punished," CED-77-112, July 18, 1977, and "Need for Greater Efforts To Recover Costs of Food Stamps Obtained Through Errors or Fraud," RCED-83-40, Feb. 4, 1983.)

The GAO reported that during fiscal year 1980 and 1981, States recovered about $20 million, or about 1 percent of the projected $2 billion overissued for those years.

The latest information from the Department of Agriculture indicates that $12.3 million was recovered in fiscal year 1982 and $18.7 million during fiscal year 1983, and $31.9 in fiscal year 1984.

The following chart outlines the collections in each State during fiscal years 1982 and 1983:

TOTAL AMOUNT OF FRAUD AND NONFRAUD CLAIMS COLLECTED

| Rank | State | Total claims collection | |
|---|---|---|---|
| | | Fiscal year 1983 | Fiscal year 1982 |
| 1 | California | 2,085,115 | 1,777,673 |
| 2 | Florida | 1,158,936 | 416,633 |
| 3 | Texas | 1,042,695 | 1,342,199 |
| 4 | North Carolina | 1,020,780 | 685,575 |
| 5 | Georgia | 998,870 | 719,850 |
| 6 | New Jersey | 926,244 | 386,369 |
| 7 | South Carolina | 925,536 | 226,404 |
| 8 | Ohio | 840,502 | 699,337 |
| 9 | Virginia | 705,440 | 431,497 |
| 10 | Alabama | 635,740 | 264,548 |
| 11 | Missouri | 583,307 | 362,395 |
| 12 | Louisiana | 541,678 | 375,393 |
| 13 | Tennessee | 531,256 | 270,837 |
| 14 | New York | 529,757 | 323,363 |
| 15 | Michigan | 476,924 | 318,232 |
| 16 | Iowa | 451,140 | 322,764 |
| 17 | Indiana | 361,351 | 192,033 |
| 18 | Wisconsin | 340,795 | 177,681 |
| 19 | Massachusetts | 325,274 | 206,696 |

### TOTAL AMOUNT OF FRAUD AND NONFRAUD CLAIMS COLLECTED—Continued

| Rank | State | Total claims collection | |
|---|---|---|---|
| | | Fiscal year 1983 | Fiscal year 1982 |
| 20 | Kentucky | 296,743 | 252,874 |
| 21 | Oregon | 292,935 | 239,384 |
| 22 | Mississippi | 292,662 | 210,861 |
| 23 | Arizona | 233,661 | 81,173 |
| 24 | West Virginia | 230,784 | 143,012 |
| 25 | Arkansas | 229,730 | 120,822 |
| 26 | Pennsylvania | 215,282 | 105,655 |
| 27 | Kansas | 165,826 | 134,215 |
| 28 | Maryland | 163,562 | 113,440 |
| 29 | Nevada | 161,490 | 76,880 |
| 30 | Washington | 160,820 | 125,210 |
| 31 | Illinois | 158,924 | 162,884 |
| 32 | Colorado | 155,189 | 130,931 |
| 33 | Hawaii | 153,630 | 88,829 |
| 34 | Utah | 126,303 | 85,096 |
| 35 | Minnesota | 124,970 | 69,028 |
| 36 | New Mexico | 97,122 | 96,632 |
| 37 | Oklahoma | 93,627 | 75,354 |
| 38 | Nebraska | 88,717 | 50,306 |
| 39 | Maine | 77,756 | 36,015 |
| 40 | Connecticut | 76,404 | 40,696 |
| 41 | New Hampshire | 75,533 | 28,680 |
| 42 | Idaho | 72,207 | 52,738 |
| 43 | Montana | 68,873 | 46,985 |
| 44 | North Dakota | 59,542 | 32,531 |
| 45 | Rhode Island | 47,909 | 2,863 |
| 46 | Guam | 47,766 | 50,472 |
| 47 | Alaska | 44,583 | 41,509 |
| 48 | South Dakota | 35,319 | 23,383 |
| 49 | Virgin Islands | 31,205 | 8,371 |
| 50 | Wyoming | 30,543 | 29,205 |
| 51 | Vermont | 27,560 | 11,081 |
| 52 | Delaware | 20,165 | 9,993 |
| 53 | District of Columbia | 14,411 | 17,426 |
| | United States | 18,653,093 | 12,294,013 |

Source: U.S. Department of Agriculture.

The General Accounting Office recommended in both 1983 and 1984 that additional initiatives, such as permitting the collection of agency-caused overissuances through future benefit offset, be undertaken to enhance further States' abilities to recover overissuances.

Both the General Accounting Office and the Office of Inspector General have identified the failure to establish specific claims against households as a major problem in the Food Stamp Program. The GAO reported that millions of dollars of overissuances have not been collected because States have not established claims against all households identified as receiving overissued benefits.

The GAO noted that claims were only established against specific households for overissued benefits in about 6 percent of all overissuance cases. Federal regulations require State agencies to initiate collection on each nonfraud claim unless the claim is less than $35 or the household cannot be located. For fraud cases, claims must be initiated for all claims.

Relatively new provisions have been added to the food stamp statute to provide States with incentives for the collection of overissuances and to facilitate such collections. State agencies can apply for and receive 75 percent reimbursement of their administrative costs of investigative work needed to establish fraud.

Additionally, if the recipient is found, through either the courts or an administrative hearing, to have committed fraud, the State may keep half the amount it subsequently collects. In nonfraud cases, the State may retain 25 percent of the recovered overissuance (except in cases where the State agency caused the error in which instances none of the money is retained by the State agency).

To maximize the use of an offset procedure for both fraud and nonfraud claims, the GAO stated that States must have adequate accounting procedures to keep track of all claims against households, particularly in the case of claims against nonparticipating households. If the records show that the household attempts to reenter the program before fully repaying the overissuance, their benefits could be subject to offset whenever they reenter the program.

The establishment of a system by each State for tracking recipients who have received overissuances also would be essential for collecting from those who move out of the food stamp jurisdiction in which the overissuance was received, according to the General Accounting Office report.

Since 1981, the Food Stamp Act has required the Secretary of Agriculture to maintain such a file for the purpose of ensuring that disqualified recipients are not permitted to participate in any State, not just the State in which the disqualification took place.

The GAO also reported that despite major legislative provisions aimed at improving the recovery of overissuances, hundreds of millions of dollars in overissuances still are not subject to these provisions. These include overissuances caused by State agency error and all overissuances made to households no longer receiving Food Stamp Program benefits, regardless of how the overissuance occurred.

The GAO identified collection techniques being used in other programs that also could be used in the Food Stamp Program to increase collections from households not subject to offset. These included State retention (or interception) of State income tax refunds, Federal interception of Federal tax refunds, use of small claims courts and collection agencies, and generally more aggressive collection procedures.

Intercepting State income tax refunds had been proven successful and cost effective in collecting delinquent debts owed to States, according to the GAO. (See "Oregon's Offset Program for Collecting Delinquent Debts Has Been Highly Effective," FGMSD-80-68, July 17, 1980.)

Several States that have a State income tax have used the intercept system to collect delinquent food stamp debt from individuals' State tax refunds.

Additionally, the GAO has recommended that Federal income tax refunds also be subject to the intercept system. (See "The Government Can Collect Many Delinquent Debts by Keeping Federal

Tax Refunds as Offsets" (FGMSD-79-19, Mar. 9, 1979.) The Grace Commission Task Force on Financial Asset Management made a similar recommendation. Recent legislation, the Deficit Reduction Act of 1984, Public Law 98-369, provides the authority for a demonstration period of testing the intercept of Federal income tax refunds during 1986 and 1987 for delinquent debts owed to the Federal Government. Regulations to implement this provision have not yet been proposed, but food stamp overissuances presumably would be eligible to be collected through this method.

Some States require use of small claims courts as an interim step to implement tax interception. The GAO noted in its 1983 report that at least one county (Sacramento County, CA) in the several areas it reviewed had used small claims courts to collect outstanding food stamp claims.

In a 1979 report GAO concluded that agencies could collect more debts faster by implementing certain commercial practices that made sense and seemed adaptable. These included reporting to credit bureaus, where appropriate, delinquent debts being paid in installments, and using private debt collection agencies where authorized. (See "The Government Can Be More Productive in Collecting Its Debts by Following Commercial Practices", FGMSD-78-59, Feb. 23, 1979.) These may have specific application for food stamp overissuances.

Also in a 1981 report, the GAO noted the possible correlation between collection efforts and overissuance error rates:

> Strong collection efforts reduce error rates by serving as a deterrent to people who might otherwise try to obtain benefits to which they are not entitled. (See "More Vigorous Action Needs To Be Taken To Reduce Erroneous Payments to Recipients of the Aid to Families with Dependent Children Program," GGD-82-15, Nov. 9, 1981.)

## QUALITY CONTROL AND THE ERROR RATE SANCTION SYSTEM

As noted previously, while the Food Stamp Program provides federally funded benefits, the administration of the program is conducted by State and local welfare agencies. Over the past several years, errors in determining applicants' eligibility and in calculating monthly benefits for food stamp participants have been a major concern of Congress, the public, and Federal and State program administrators. However, many errors continue to occur, resulting in substantial amounts of overpayments and underpayments.

To provide an incentive for improving the integrity of the Food Stamp Program, an error rate sanction system has been established to hold the States operating the program financially accountable for ensuring that participants are eligible for benefits and that they receive accurate monthly benefits. The extent of erroneous issuances is determined by Federal and State reviews of a statistically valid sample of each State's eligibility determinations and monthly benefit issuances. These are called quality control (or quality assurance) reviews.

The aggregate amount of overissuances and underissuances is determined by annual quality control reviews. For these reviews, each State selects a statistical sample of households that were granted or denied program participation. The case files for these households are reviewed by an independent State unit, and the accuracy of both the eligibility determination and the amount of benefits actually issued is checked through a verification process which is more detailed than that done by the eligibility worker.

From these reviews, error rates have been compiled and reported for 6-month periods beginning each April and October, and provide data on three distinct categories of payment errors: payments to ineligible persons, overpayments to eligible persons, and underpayments to eligible persons. (Since fiscal year 1984—October 1, 1983—States complete food stamp quality control reviews annually instead of at 6-month intervals.) These quality control systems are intended to serve dual purposes. They provide management with information for devising corrective actions to reduce erroneously issued benefits and serve as the basis for establishing State financial liability for excessive erroneous overpayments. The initial stage of quality control reviews is performed by State personnel.

Each State's quality control review sample is designed to be statistically valid. The review results determine the percentage of all sample (for example, reviewed) cases containing errors—that is, benefit dollars erroneously issued. This figure is then projected to the State's total caseload to estimate statewide errors and dollar benefits erroneously issued.

The results of each State's quality control review are validated by Federal reviewers from the Food and Nutrition Service. They select a subsample of cases from each State's quality control sample, and examine it to determine if the State properly completed its review of the required sample cases and accurately reported the results. The Food and Nutrition Service than reviews the results of their validation work with each State and adjusts the State's reported error rates upward or downward, as appropriate, to reflect any identified problems with the State's reported results. These validated error rates are called the regressed or final error rates for the States.

States have or have had individual target error rates and are required to reduce their error rates to certain tolerance levels within specified timeframes. This system is generally known as the error rate sanction system.

The error rate sanction system for fiscal years 1981 and 1982 required States with base-period rates higher than the national average to reduce erroneous payments (overissuances and underissuances combined) to an established target. The base period was the 6-month period between October 1980 and March 1981. In no case did a State have to achieve reductions below the national average (about 12 percent at that time) to avoid a sanction.

However, since fiscal year 1983, nationally established maximum error rates (for overissuances, but no longer for underissuances) have been applied to the States. The fiscal year 1983 target was established at 9 percent, for fiscal year 1984, 7 percent, and for fiscal year 1985 and beyond, 5 percent. However, these tolerance rates applied only to overissuances; no sanction applies with regard to underissuances.

For fiscal years 1983 and 1984, States could satisfy error rate reduction requirements without necessarily meeting the established goals. For example, States with overpayment rates above 9 percent for the October 1980 to March 1981 base period could satisfy the requirements for fiscal year 1983 by reducing their error rate by at least one-third of the difference between the base-period rate and the 1985 target of 5 percent. For fiscal year 1984, the reduction must be at least two-thirds, and for fiscal year 1985 and later the rate must be 5 percent or less.

Failure to meet error rate sanction targets results in a fiscal sanction against States. The sanction amount has been based on two methods. 5For fiscal years prior to 1983, each State's sanction was based on the percentage of benefits issued erroneously in the State. A sanction was to be applied in States where the error rate exceeded the national average error rate. The sanction amount was equal to the percentage by which the State's error rate exceeded the national average error rate times the total amount of food stamp benefits issued in the State. The State was liable to the Federal Government for this amount.

Food stamp sanction procedures for fiscal year 1983 and beyond do not use the amount of program benefits issued to calculate sanction amounts. Instead the sanction is based on the amount of a State's federally reimbursed administrative costs for that period. Legislation establishing this approach requires that the Federal reimbursement of administrative costs (normally about 50 percent of a State's costs) be reduced by 5 percent for each 1 percentage point, or fraction thereof, by which the State's overpayment rate exceeds the target. If the State's overpayment rate exceeds the target by more than 3 percentage points, it would lose an additional 5 percent (for a total of 10 percent) of its Federal administrative funding for each percentage point or fraction thereof exceeding the 3-percentage point difference.

To illustrate, overpayment rates above the target rate by 1, 2, and 3 percent would result in sanctions equal to reductions of 5, 10, and 15 percent of administrative costs, respectively; overpayment rates above the target by 4, 5, and 6 percent would result in sanctions of 25, 35, and 45 percent, respectively. Under this system, a State that had been required to reduce its error rate from 14 to 11 percent during fiscal year 1983, but which only achieved a 13-percent error rate would lose 10 percent of its Federal reimbursement for administrative costs. Had its error rate increased to 15 percent for fiscal year 1983, it would lose 25 percent of its administrative reimbursement. The sanction amount (based on reductions in administrative funding) cannot exceed the amount of overpayments represented by the error rate system in effect prior to fiscal year 1983.

Thus, the amount of a sanction under the food stamp error rate sanction system for fiscal year 1983 and beyond hinges in large part on how much a State spends to administer the program. A State that spends more to operate the program would be sanctioned more than another State that is in the same error-rate situation, but that spends less to operate the program.

The General Accounting Office examined the error rate sanction systems in three Federal programs in April 1984. The GAO noted that the Food Stamp Program's error rate sanction system results in proportionately smaller sanctions than those in AFDC or SSI because its higher target error rate and its specific proceduring for calculating sanction amounts based on a percentage of federally reimbursed administrative costs instead of the amount of benefits issued as in the AFDC and SSI programs. (See "Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits," RCED–84–155, Apr. 25, 1984.)

Overpayment error rates in the Food Stamp Program for recent quality control periods have generally decreased. Underpayment error rates, however, have remained relatively stable. Error rates and amounts of inaccurately issued benefits for the five 6-month quality review periods starting October 1980 are shown below:

| Quality control review period | Overissuances |  | Underissuances |  |
|---|---|---|---|---|
|  | Rate (percent) | Amount (thousands) | Rate (percent) | Amount (thousands) |
| October 1980 to March 1981 | 10.4 | $534,831 | 2.6 | $134,022 |
| April 1981 to September 1981 | 9.5 | 517,227 | 2.4 | 133,496 |
| October 1981 to March 1982 | 9.8 | 509,901 | 2.4 | 123,160 |
| April 1982 to September 1982 | 9.2 | 473,906 | 2.5 | 128,779 |
| October 1982 to March 1983 | 8.2 | 465,924 | ([1]) | ([1]) |

[1] Not available as of early April 1984.

Source: General Accounting Office.

The preceding table shows that the overpayment rate has dropped 2.2 percent over the 2½-year period, and the underpayment rate dropped 0.1 percent over 2 years. The amounts of overissued benefits have decreased about $69 million and the amounts of underissued benefits have decreased about $5 million. For the 6 months ending March 1982, overissuances by State ranged from a low of 1.5 percent in Nevada to a high of 21.2 percent in Alaska. Underissuances ranged from 0.8 percent in Wyoming to 7.3 percent in the District of Columbia.

The following tables outline the State error rates for overissuances and underissuances (and the corresponding dollar amounts) for three 6-month reporting periods, as reported by the General Accounting Office:

## FOOD STAMP PROGRAM—OVERISSUANCES

[Percent and amount of benefits overissued (October 1980 through March 1982)]

| State | Percent of benefits overissued |  |  | Amount of benefits overissued (thousands) |  |  |
|---|---|---|---|---|---|---|
|  | October–March 1981 | April–September 1981 | October–March 1982 | October–March 1981 | April–September 1981 | October–March 1982 |
| U.S. total | [1] 10.4 | [1] 9.5 | [1] 9.8 | $534,831 | $517,227 | $509,901 |
| Alabama | 8.5 | 6.3 | 5.4 | 12,271 | 9,315 | 7,645 |
| Alaska | 21.4 | 24.9 | 21.2 | 3,417 | 3,656 | 2,951 |
| Arizona | 15.1 | 9.4 | 12.6 | 9,182 | 6,014 | 7,730 |
| Arkansas | 8.8 | 9.5 | 9.5 | 5,928 | 6,770 | 6,340 |
| California | 8.7 | 5.7 | 9.3 | 24,766 | 18,144 | 26,916 |
| Colorado | 11.7 | 13.9 | 14.6 | 4,998 | 6,228 | 5.909 |
| Connecticut | 14.1 | [2] 13.7 | 13.5 | 4,858 | 5,038 | 4,413 |
| Delaware | 7.8 | 7.1 | 6.0 | 1,056 | 967 | 810 |
| District of Columbia | 13.8 | 12.5 | 11.3 | 3,182 | 2,992 | 2,551 |
| Florida | 12.5 | 13.2 | 10.8 | 31.165 | 33,286 | 24,547 |
| Georgia | 9.2 | 10.4 | 6.6 | 13,763 | 16,281 | 9,462 |
| Guam | 4.6 | 11.2 | 5.0 | 390 | 1,050 | 413 |
| Hawaii | 7.0 | 6.9 | 6.7 | 2,311 | 2,518 | 2,226 |
| Idaho | 8.8 | 10.3 | 7.4 | 1,514 | 1,785 | 1,419 |

## FOOD STAMP PROGRAM—OVERISSUANCES—Continued

[Percent and amount of benefits overissued (October 1980 through March 1982)]

| State | Percent of benefits overissued | | | Amount of benefits overissued (thousands) | | |
|---|---|---|---|---|---|---|
| | October-March 1981 | April-September 1981 | October-March 1982 | October-March 1981 | April-September 1981 | October-March 1982 |
| Illinois | 9.1 | 8.0 | 7.7 | $21.840 | $21,235 | $21,345 |
| Indiana | 9.0 | 7.2 | 6.8 | 8,992 | 7,537 | 7,120 |
| Iowa | 10.7 | 7.9 | 9.2 | 3,675 | 3,220 | 3,735 |
| Kansas | 11.6 | 10.7 | 10.2 | 2,858 | 2,933 | 2,713 |
| Kentucky | 9.1 | 6.6 | 7.1 | 11,507 | 9,247 | 9,399 |
| Louisiana | 10.3 | 10.6 | 9.9 | 13,728 | 14,518 | 11,989 |
| Maine | 9.8 | [2] 6.5 | 7.8 | 3,369 | 2,273 | 2,586 |
| Maryland | 13.7 | 14.7 | 10.7 | 11,291 | 12,980 | 8,899 |
| Massachusetts | 12.4 | [2] 10.3 | 13.7 | 11,431 | 10,147 | 13,439 |
| Michigan | 9.4 | 9.2 | 9.1 | 17,005 | 19,709 | 20,193 |
| Minnesota | 6.7 | 8.5 | 10.2 | 2,633 | 3,729 | 4,123 |
| Mississippi | 9.8 | 10.4 | 8.9 | 11,180 | 12,519 | 9,959 |
| Missouri | 8.8 | 8.3 | 6.8 | 7,727 | 7,872 | 6,276 |
| Montana | 15.4 | 11,6 | 7.3 | 1,666 | 1.382 | 833 |
| Nebraska | 11.0 | 11.0 | 10.3 | 1,646 | 1,794 | 1,581 |
| Nevada | 3.7 | 3.1 | 1.5 | 385 | 316 | 139 |
| New Hampshire | 13.3 | [2] 12.3 | 15.6 | 1,769 | 1,678 | 1,962 |
| New Jersey | 10.0 | 8.8 | 8.5 | 13,513 | 12,793 | 11,965 |
| New Mexico | 12.8 | 13.9 | 13.1 | 5,756 | 6.185 | 5,330 |
| New York | 15.0 | 12.4 | 14.1 | 62,905 | 56,431 | 58,462 |
| North Carolina | 9.9 | 12.8 | 9.6 | 13,141 | 17,832 | 12,578 |
| North Dakota | 4.4 | 5.8 | 7.2 | 246 | 376 | 445 |
| Ohio | 8.3 | 7.2 | 8.7 | 19,620 | 19,270 | 22,777 |
| Oklahoma | 9.8 | 8.8 | 7.5 | 4,038 | 3,630 | 2,774 |
| Oregon | 7.1 | 10.9 | 12.0 | 4,445 | 7,413 | 8,516 |
| Pennsylvania | 10.5 | 8.7 | 11.9 | 24,110 | 22,565 | 29,573 |
| Puerto Rico | 11.9 | 7.8 | 8.4 | 50,807 | 34,931 | 37,510 |
| Rhode Island | 11.8 | [2] 9.2 | 8.7 | 2,484 | 1,791 | 1,663 |
| South Carolina | 8.4 | 9.7 | 11.5 | 8,644 | 10,333 | 11,606 |
| South Dakota | 10.5 | 6.2 | 11.1 | 1,077 | 662 | 1,238 |
| Tennessee | 11.8 | 10.8 | 11.0 | 19,523 | 18,880 | 17,675 |
| Texas | 9.0 | 9.6 | 10.8 | 26,576 | 29,121 | 29,923 |
| Utah | 8.5 | 7.3 | 7.2 | 1,144 | 1,112 | 1,058 |
| Vermont | 9.4 | [2] 9.0 | 9.6 | 891 | 894 | 907 |
| Virgin Islands | 15.0 | 6.5 | 8.4 | 1,517 | 694 | 852 |
| Virginia | 8.4 | 6.8 | 7.0 | 7,964 | 7,115 | 6,848 |
| Washington | 9.0 | 7.1 | 10.3 | 5,319 | 5,431 | 7,720 |
| West Virginia | 7.7 | 10.2 | 8.9 | 4,046 | 7,100 | 5,004 |
| Wisconsin | 11.1 | 9.5 | 10.6 | 5,166 | 5,023 | 5,571 |
| Wyoming | 11.5 | 13.4 | 8.4 | 396 | 512 | 283 |

[1] Weighted average.
[2] State's reported error rate not adjusted by the Service.

Source: General Accounting Office.

## FOOD STAMP PROGRAM—UNDERISSUANCES

[Percent and amount of benefits underissued to eligible households (Oct. 1980 through Mar. 1982)]

| State | Percent of benefits underissued to eligible households | | | Amount of benefits underissued to eligible households (thousands) | | |
|---|---|---|---|---|---|---|
| | October-March 1981 | April-September 1981 | October-March 1982 | October-March 1981 | April-September 1981 | October-March 1982 |
| U.S. total | [1] 2.6 | [1] 2.4 | [1] 2.4 | $134.022 | $133,496 | $123,160 |
| Alabama | 2.3 | 1.7 | 2.1 | 3,260 | 2,518 | 2,920 |
| Alaska | 1.0 | 2.7 | 2.0 | 158 | 401 | 275 |

## FOOD STAMP PROGRAM—UNDERISSUANCES—Continued

[Percent and amount of benefits underissued to eligible households (Oct. 1980 through Mar. 1982)]

| State | Percent of benefits underissued to eligible households | | | Amount of benefits underissued to eligible households (thousands) | | |
|---|---|---|---|---|---|---|
| | October-March 1981 | April-September 1981 | October-March 1982 | October-March 1981 | April-September 1981 | October-March 1982 |
| Arizona | 3.6 | 4.0 | 2.8 | $2,190 | $2,522 | $1,720 |
| Arkansas | 2.4 | 2.6 | 3.1 | 1,644 | 1,828 | 2,071 |
| California | 3.0 | 3.4 | 2.8 | 8,465 | 10,664 | 7,976 |
| Colorado | 2.6 | 2.8 | 2.7 | 1,094 | 1,256 | 1,094 |
| Connecticut | 2.7 | [2] 2.5 | 2.9 | 914 | 934 | 942 |
| Delaware | 3.9 | 1.6 | 2.5 | 524 | 224 | 339 |
| District of Columbia | 5.2 | 4.4 | 7.3 | 1,200 | 1,060 | 1,650 |
| Florida | 2.5 | 2.1 | 2.2 | 6,328 | 5,237 | 4,923 |
| Georgia | 3.4 | 2.1 | 2.2 | 5,026 | 3,206 | 3,092 |
| Guam | 1.9 | 2.0 | 2.2 | 163 | 183 | 184 |
| Hawaii | 2.4 | 2.3 | 2.4 | 785 | 832 | 800 |
| Idaho | 2.0 | 2.0 | 1.5 | 344 | 350 | 293 |
| Illinois | 2.4 | 3.4 | 2.2 | 5,821 | 9,131 | 5,975 |
| Indiana | 1.0 | 0.8 | 2.5 | 985 | 839 | 2,565 |
| Iowa | 1.6 | 1.4 | 2.2 | 542 | 550 | 899 |
| Kansas | 3.0 | 2.1 | 1.6 | 727 | 582 | 428 |
| Kentucky | 1.8 | 2.2 | 1.9 | 2,273 | 3,101 | 2,522 |
| Louisiana | 1.9 | 3.0 | 2.6 | 2,525 | 4,069 | 3,155 |
| Maine | 2.9 | [2] 2.3 | 1.9 | 1,001 | 818 | 634 |
| Maryland | 3.0 | 2.1 | 1.7 | 2,424 | 1,832 | 1,384 |
| Massachusetts | 3.6 | [2] 1.5 | 2.1 | 3,327 | 1,426 | 2,107 |
| Michigan | 3,1 | 2.6 | 2.3 | 5,656 | 5,610 | 5,115 |
| Minnesota | 2.2 | 1.5 | 1.6 | 845 | 673 | 629 |
| Mississippi | 2.6 | 1.3 | 3.9 | 2,946 | 1,512 | 4,375 |
| Missouri | 2.0 | 2.1 | 2.3 | 1,787 | 2,004 | 2,123 |
| Montana | 1.9 | 2.7 | 1.6 | 203 | 318 | 185 |
| Nebraska | 2.2 | 1.9 | 4.0 | 324 | 304 | 615 |
| Nevada | 1.4 | 0.6 | 1.6 | 148 | 59 | 149 |
| New Hampshire | 2.8 | [2] 2.4 | 2.1 | 366 | 326 | 258 |
| New Jersey | 1.8 | 2.4 | 2.4 | 2,439 | 3,467 | 3,392 |
| New Mexico | 2.4 | 1.8 | 2.7 | 1,095 | 790 | 1,108 |
| New York | 4.1 | 3.2 | 2.7 | 17,201 | 14,551 | 11,144 |
| North Carolina | 6.0 | 3.4 | 3.8 | 7,916 | 4,684 | 5.052 |
| North Dakota | 2.5 | 1.5 | 2.0 | 141 | 96 | 122 |
| Ohio | 1.8 | 1.7 | 1.8 | 4,292 | 4,504 | 4,770 |
| Oklahoma | 2.4 | 3.1 | 4.0 | 995 | 1,289 | 1,467 |
| Oregon | 1.4 | 2.2 | 3.2 | 890 | 1,510 | 2,275 |
| Pennsylvania | 3,1 | 1.9 | 1.5 | 7,010 | 5,029 | 3,613 |
| Puerto Rico | 2.1 | 2.1 | 1.9 | 8,868 | 9,330 | 8,222 |
| Rhode Island | 2.3 | [2] 2.0 | 3.3 | 493 | 390 | 632 |
| South Carolina | 2.1 | 2.6 | 1.3 | 2,161 | 2,730 | 1,339 |
| South Dakota | 1.8 | 1.6 | 1.4 | 183 | 175 | 151 |
| Tennessee | 2.6 | 2.4 | 2.4 | 4,331 | 4,093 | 3,786 |
| Texas | 2.0 | 2.3 | 2.3 | 5,820 | 7.007 | 6,284 |
| Utah | 3.0 | 4.2 | 3.0 | 410 | 633 | 435 |
| Vermont | 1.9 | [2] 1.6 | 2.5 | 178 | 156 | 233 |
| Virgin Islands | 3.3 | 4.3 | 1.0 | 331 | 462 | 96 |
| Virginia | 1.8 | 2.3 | 2.8 | 1,663 | 2,382 | 2,790 |
| Washington | 1.6 | 2.4 | 1.7 | 928 | 1,841 | 1,243 |
| West Virginia | 2.2 | 2.9 | 2.5 | 1,156 | 1,997 | 1,379 |
| Wisconsin | 3.2 | 3.7 | 4.2 | 1,487 | 1,966 | 2,175 |
| Wyoming | 1.1 | 1.2 | 0.8 | 39 | 45 | 25 |

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[1] Weighted average.

[2] State's reported error rate not adjusted by the Service.

Source: General Accounting Office.

The following table outlines the most recent rates of ineligibility, overissuances, and underissuances on a State-by-State basis as issued by the Department of Agriculture for the 6-month period between April-September 1982. (NOTE.—In the preceding tables, overissuances to those eligible and issuances to those totally ineligible are combined into a single category designated overissuances.)

FOOD STAMP ERROR RATES, APRIL–SEPTEMBER 1982

[Estimated monthly]

| State | Issued | Ineligible | Overissued | Underissued | Total |
|---|---|---|---|---|---|
| Connecticut | $5,350,569 | 6.00 | 6.17 | 3.64 | 15.81 |
| Maine | 5,269,708 | 3.70 | 5.55 | 1.86 | 11.11 |
| Massachusetts | 14,273,884 | 7.86 | 5.14 | 3.35 | 16.62 |
| New Hampshire | 1,994,971 | 8.77 | 8.47 | 1.55 | 18.79 |
| New York | 84,130,828 | 3.96 | 4.77 | 3.38 | 12.11 |
| Rhode Island | 2,892,013 | 5.06 | 4.06 | 1.57 | 10.69 |
| Vermont | 1,844,748 | 6.94 | 3.84 | 2.18 | 12.96 |
| NERO | 115,756,721 | 4.68 | 4.95 | 3.22 | 12.88 |
| Delaware | 2,246,124 | 1.07 | 5.75 | 1.61 | 8.43 |
| District of Columbia | 3,659,296 | 5.67 | 5.21 | 4.33 | 15.29 |
| Maryland | 15,700,960 | 3.50 | 5.24 | 1.61 | 10.35 |
| New Jersey | 20,818,363 | 5.83 | 3.05 | 2.24 | 11.14 |
| Pennsylvania | 37,604,820 | 4.89 | 4.96 | 2.60 | 12.46 |
| Virgin Islands | 1,437,772 | 8.96 | 5.73 | 3.20 | 17.97 |
| Virginia | 15,005,388 | 4.62 | 4.96 | 1.89 | 11.49 |
| West Virginia | 9,249,649 | 3.91 | 5.25 | 1.54 | 10.70 |
| MARO | 105,722,372 | 4.75 | 4.69 | 2.24 | 11.68 |
| Alabama | 22,116,004 | 1.96 | 4.07 | 1.55 | 7.58 |
| Florida | 35,088,585 | 3.02 | 6.66 | 3.27 | 12.95 |
| Georgia | 28,679,162 | 4.01 | 6.22 | 2.60 | 13.08 |
| Kentucky | 22,481,279 | 3.45 | 3.77 | 2.04 | 9.26 |
| Mississippi | 18,797,478 | 4.22 | 5.10 | 2.87 | 12.19 |
| North Carolina | 17,163,096 | 4.88 | 6.68 | 0.93 | 12.49 |
| South Carolina | 19,133,049 | 3.37 | 4.66 | 2.71 | 10.75 |
| Tennessee | 24,801,506 | 3.12 | 5.93 | 2.24 | 11.29 |
| SERO | 188,260,159 | 3.44 | 5.49 | 2.37 | 11.34 |
| Illinois | 41,065,666 | 4.70 | 5.56 | 1.90 | 12.20 |
| Indiana | 17,604,577 | 3.66 | 4.32 | 2.21 | 10.19 |
| Michigan | 36,615,507 | 3.49 | 5.41 | 3.19 | 12.09 |
| Minnesota | 6,663,390 | 2.44 | 4.11 | 2.35 | 8.90 |
| Ohio | 44,639,759 | 4.23 | 4.20 | 1.30 | 9.73 |
| Wisconsin | 9,436,681 | 6.17 | 5.93 | 4.48 | 16.58 |
| MWRO | 156,025,580 | 4.16 | 4.96 | 2.24 | 11.36 |
| Arkansas | 11,164,425 | 4.64 | 5.15 | 2.52 | 12.31 |
| Louisiana | 18,490,618 | 4.34 | 5.20 | 3.01 | 12.55 |
| New Mexico | 6,529,206 | 6.81 | 5.79 | 2.71 | 15.38 |
| Oklahoma | 6,001,568 | 3.57 | 4.93 | 3.28 | 11.78 |
| Texas | 44,033,086 | 3.51 | 5.07 | 2.21 | 10.79 |
| SWRO | 86,218,903 | 4.09 | 5.15 | 2.53 | 11.78 |
| Colorado | 6,313,994 | 8.48 | 5.94 | 2.38 | 16.80 |
| Iowa | 6,986,414 | 4.11 | 5.21 | 1.15 | 10.48 |
| Kansas | 4,675,425 | 3.99 | 5.27 | 1.43 | 10.70 |
| Missouri | 14,600,975 | 3.24 | 4.79 | 2.53 | 10.56 |
| Montana | 2,029,573 | 3.14 | 4.66 | 1.81 | 9.61 |
| Nebraska | 2,735,520 | 5.10 | 5.87 | 1.82 | 12.78 |

FOOD STAMP ERROR RATES, APRIL–SEPTEMBER 1982—Continued

[Estimated monthly]

| State | Issued | Ineligible | Overissued | Underissued | Total |
|---|---|---|---|---|---|
| North Dakota | $966,643 | 1.87 | 4.72 | 0.68 | 7.27 |
| South Dakota | 1,848,064 | 5.28 | 4.87 | 1.65 | 11.80 |
| Utah | 2,605,907 | 6.82 | 5.39 | 4.14 | 16.63 |
| Wyoming | 630,591 | 5.08 | 3.97 | 1.71 | 10.76 |
| MPRO | 43,393,106 | 4.63 | 5.16 | 2.10 | 11.91 |
| Alaska | 1,439,657 | 15.19 | 5.13 | 3.58 | 24.26 |
| Arizona | 10,235,100 | 4.91 | 6.46 | 2.67 | 14.04 |
| California | 46,685,997 | 3.00 | 5.02 | 3.21 | 11.25 |
| Guam | 1,285,661 | 4.27 | 1.39 | 1.12 | 6.78 |
| Hawaii | 5,735,960 | 2.80 | 2.45 | 1.33 | 6.57 |
| Idaho | 2,728,613 | 5.30 | 4.13 | 2.78 | 12.21 |
| Nevada | 1,358,309 | 0.83 | 0.69 | 0.16 | 1.71 |
| Oregon | 12,458,772 | 3.81 | 6.34 | 1.66 | 11.88 |
| Washington | 9,367,883 | 4.02 | 5.09 | 1.76 | 10.86 |
| WRO | 91,295,952 | 3.66 | 5.07 | 2.59 | 11.34 |
| Total United States | 786,672,793 | 4.10 | 5.09 | 2.48 | 11.70 |

Source: U.S. Department of Agriculture.

States discovering an underissuance of benefits to recipients, or the wrongful denial of eligibility to an applicant, are required to restore the amount of benefits. However, the period for which benefits are provided after the fact is limited to 1 year. As with overissuances, States often have not identified many specific cases in which benefits were underissued (or failed to be issued). While the quality control sample provides a projection of the degree of underissuances in the State, it does not provide specific cases, except for those actually in the sample. When specific cases are discovered, however, the State is required to issue benefits to compensate for the error.

The quality control review process, including Federal examination, take several years to complete. Thus, sanctions are not generally determined and assessed until considerably after the time period for which the sanction was imposed. Indeed, sanctions based on fiscal year 1983 procedures (reducing administrative funding) have not yet been announced.

As part of the error rate sanction system, the food stamp statute provides the Secretary of Agriculture with authority to waive the imposition of a sanction if he determines that the State had good cause for the errors. Among the good cause reasons cited in regulations as being sufficient for reducing or eliminating sanctions were (1) natural disaster or civil disorders, (2) strikes, (3) sharp increases in caseload, (4) program changes, and (5) misapplication of Federal policy if a responsible USDA official provided or approved the practice.

USDA's procedures for determining whether to reduce or eliminate sanctions issued against States for excessive food stamp error rates for periods up through fiscal year 1982 were more complex than those to be used for later periods. Any State subject to a sanction for erroneous issuances in fiscal year 1981 or 1982 could obtain a waiver of the monetary penalty if certain conditions existed over which the State was considered to have no control and which adversely affected the State's error rate.

The Department's implementation of the Food Stamp Act Amendments of 1982 sharply reduced the kinds of facts that USDA is to consider when a State appeals an error rate sanction. For fiscal year 1983 and beyond, USDA is to consider only extraordinary events over which the State had little or no control, such as strikes or natural disasters, when deciding whether to waive or reduce a sanction. In the absence of such factors, any State that does not reach its target error rate is to be sanctioned regardless of the amount of effort made by the State to reduce its error rate.

In the absence of any special circumstances which could have been considered as adversely affecting State performance, the regulations also allowed the Secretary to waive sanctions under certain other conditions. One of these was a Federal determination that the State has put forth a "good faith effort" such as devoting considerable effort to carrying out an approved corrective action plan or taking other substantial initiatives to reduce errors. While such judgments regarding the adequacy of a State's remedial efforts were somewhat discretionary and the State efforts did not guarantee a waiver, USDA regulations provided for an automatic waiver if a State's efforts result in a lower error rate for the comparable 6-month period in the following fiscal year.

The Department of Agriculture has announced a total of 38 sanctions, amounting to approximately $38 million, to 22 States for excessive error rates. The total erroneous issuances for the three 6-month periods to which these sanctions applied were valued at approximately $2 billion—$1.6 billion in overpayments and $390 million in underpayments. The dollar amount of the sanctions ($38 million) represents about 2 percent of the total erroneous payments ($2 billion) made during these periods.

As of December 1984, only one State (Connecticut) had paid the Federal Government any of these sanction amounts—and that State is appealing the sanction through the court process. USDA issued across-the-board waivers to the 14 States that exceeded their error rate targets for the 6 months ended March 1981 (the first period for which sanctions were issued) on the condition that each sanctioned State prepare a special corrective action plan designed to reduce inaccurate benefit payments.

The Department issued an additional 24 sanctions for the two 6-month periods ended September 1981 and March 1982, but only seven of these sanctions have been fully resolved. For the 6 months ended September 1981, USDA waived the sanctions for 6 of the 12 States involved and held administrative hearings within the Department on requests for waivers of the sanctions by the remaining 6 States; only 3 of the 6 USDA claims were upheld.

Additionally, the 12 States sanctioned for the 6-month period ended March 1982 have all requested waivers, and USDA officials have not yet indicated whether they intend to pursue or waive sanctions against these States.

The following tables outline those States that were initially sanctioned during the three 6-month periods:

## FOOD STAMP PROGRAM—SANCTIONED STATES (OCTOBER 1980 TO MARCH 1981)

[Dollars in thousands]

| States (14) | Payment error rate [1] | Target error rate | Benefits issued | Erroneous issuances | Overissuances | Sanctions | Sanction as a percent of erroneous issuances | Sanction as a percent of overissuances |
|---|---|---|---|---|---|---|---|---|
| Alaska | 21.2 | 12.6 | $15,984 | $3,588 | $3,417 | $1,207 | 33.6 | 35.3 |
| Arizona | 16.9 | 12.7 | 60,847 | 11,421 | 9,182 | 2,437 | 21.3 | 26.5 |
| Colorado | 13.1 | 12.6 | 42,720 | 6,117 | 4,998 | 230 | 3.8 | 4.6 |
| Connecticut | 16.0 | 12.6 | 34,359 | 5,772 | 4,858 | 1,172 | 20.3 | 24.1 |
| Florida | 13.3 | 12.6 | 250,124 | 37,494 | 31,166 | 1,647 | 4.4 | 5.3 |
| Kansas | 14.3 | 12.9 | 24,642 | 3,593 | 2,858 | 343 | 9.5 | 12.0 |
| Maryland | 16.7 | 16.0 | 82,173 | 13,715 | 11,291 | 581 | 4.2 | 5.1 |
| Massachusetts | 13.1 | 12.6 | 92,406 | 14,831 | 11,431 | 470 | 3.2 | 4.1 |
| Montana | 15.7 | 12.6 | 10,821 | 1,880 | 1,666 | 329 | 17.5 | 19.8 |
| New Hampshire | 17.4 | 12.6 | 13,312 | 2,135 | 1,769 | 633 | 29.7 | 35.8 |
| New Mexico | 15.3 | 15.1 | 44,899 | 6,879 | 5,756 | 108 | 1.6 | 1.9 |
| North Carolina | 15.3 | 12.6 | 133,272 | 21,057 | 13,141 | 3,538 | 16.8 | 26.9 |
| Puerto Rico | 13.1 | 12.6 | 428,393 | 59,675 | 50,807 | 2,308 | 3.9 | 4.5 |
| Tennessee | 13.7 | 12.6 | 165,313 | 23,855 | 19,524 | 1,887 | 7.9 | 9.7 |
| Total dollars and weighted average percentages | 15.2 |  | 1,399,265 | 212,012 | 171,864 | 16,890 | 8.0 | 9.8 |

[1] Lower of the States' reported error rate or USDA's adjusted State error rate.

Note.—All sanctions were waived by USDA.

Source: General Accounting Office.

## FOOD STAMP PROGRAM—SANCTIONED STATES (APRIL TO SEPTEMBER 1981)

[Dollars in thousands]

| States (12) | Payment error rate [1] | Target error rate | Benefits issued | Erroneous issuances | Overissuances | Sanctions | Sanction as a percent of erroneous issuances | Sanction as a percent of over-issuances |
|---|---|---|---|---|---|---|---|---|
| Alaska | 27.2 | 12.6 | $14,673 | $4,107 | $3,656 | $2,148 | 52.3 | 58.7 |
| Arizona | 13.1 | 12.7 | 63,840 | 8,555 | 6,014 | [2] 236 | 2.8 | 3.9 |
| Colorado | 14.4 | 12.6 | 44,873 | 7,543 | 6,228 | [3] 821 | 10.9 | 13.2 |
| Connecticut | 16.2 | 12.6 | 36,773 | 5,972 | 5,038 | [4] 1,339 | 22.4 | 26.6 |
| Florida | 14.1 | 12.6 | 251,784 | 38,548 | 33,286 | [4] 3,802 | 9.9 | 11.4 |
| Guam | 13.0 | 12.6 | 9,345 | 1,235 | 1,050 | [5] 40 | 3.3 | 3.8 |
| Maryland | 16.7 | 16.0 | 88,481 | 14,812 | 12,980 | [5] 619 | 4.2 | 4.8 |
| Montana | 14.3 | 12.6 | 11,925 | 1,710 | 1,382 | [5] 208 | 12.1 | 15.0 |
| New Hampshire | 14.7 | 12.6 | 13,644 | 2,004 | 1,678 | [4] 285 | 14.2 | 17.0 |
| North Carolina | 14.4 | 12.6 | 138,986 | 22,516 | 17,832 | [5] 2,502 | 11.1 | 14.0 |
| Tennessee | 12.7 | 12.6 | 174,169 | 22,973 | 18,880 | [5] 209 | .9 | 1.1 |
| Wyoming | 13.8 | 12.6 | 3,813 | 558 | 512 | [5] 47 | 8.5 | 9.2 |
| Total dollars and weighted average percentages | 15.3 | | 852,306 | 130,531 | 108,536 | 12,256 | 9.4 | 11.3 |

[1] Lower of the States' reported error rate or USDA's adjusted State error rate.

[2] Sanction upheld by administrative hearing.

[3] Sanction dismissed by administrative hearing.

[4] Sanctions are awaiting decision of administrative hearing judge.

[5] Sanctions were waived by USDA.

Source: General Accounting Office.

## FOOD STAMP PROGRAM—SANCTIONED STATES (OCTOBER 1981 TO MARCH 1982)

[Dollars in thousands]

| States (12) | Payment error rate | Target error rate | Benefits issued | Erroneous issuances | Overissuances | Sanctions | Sanction as a percent of erroneous issuances | Sanction as a percent of overissuances |
|---|---|---|---|---|---|---|---|---|
| Alaska | 23.4 | 20.7 | $13,914 | $3,252 | $2,951 | $370 | 11.4 | 12.5 |
| Colorado | 17.3 | 13.4 | 40,526 | 7,003 | 5,909 | 1,577 | 22.5 | 26.7 |
| Connecticut | 16.5 | 15.5 | 32,593 | 5,362 | 4,413 | 300 | 5.6 | 6.8 |
| District of Columbia | 18.7 | 17.7 | 22,534 | 4,219 | 2,551 | 225 | 5.3 | 8.8 |
| Massachusetts | 15.9 | 14.9 | 98,451 | 15,644 | 13,439 | 985 | 6.3 | 7.3 |
| Nebraska | 14.4 | 13.1 | 15,301 | 2,196 | 1,581 | 199 | 9.1 | 12.6 |
| New Hampshire | 17.7 | 14.9 | 12,578 | 2,220 | 1,962 | 341 | 15.4 | 17.4 |
| New Mexico | 15.8 | 14.3 | 40,722 | 6,442 | 5,330 | 623 | 9.7 | 11.7 |
| Oregon | 15.5 | 13.1 | 71,087 | 10,983 | 8,516 | 1,706 | 15.5 | 20.0 |
| Pennsylvania | 13.7 | 13.1 | 249,141 | 34,132 | 29,573 | 1,619 | 4.7 | 5.5 |
| Texas | [1] 13.1 | [1] 13.1 | 276,812 | 36,207 | 29,923 | 83 | 0.2 | 0.3 |
| Wisconsin | 14.8 | 13.4 | 52,406 | 7,746 | 5,571 | 728 | 9.4 | 13.1 |
| Total dollars and weighted average percentages | 14.6 | | 926,065 | 135,404 | 111,719 | 8,756 | 6.5 | 7.8 |

[1] Payment error rate and target error rate are equal due to rounding.

Source: General Accounting Office.

In addition to the sanction aspect of the error rate sanction system, there is increased administrative funding, or incentive funding, for States that have made special strides in lowering their error rates. States which have a combined overpayment and underpayment error rate of under 5 percent are eligible to have Federal reimbursement for administrative costs equal to 60 percent of their administrative costs, rather than 50 percent.

Prior to fiscal year 1983, States were eligible for a different system of incentive funding. The most recent period for which these error rates is known is March through October 1982. During that period, incentive rates of up to 65 percent of administrative funding could be obtained if error rates were less than 15 percent. Nevada qualified for funding at the 65-percent level. Federal funding at 60 percent of administrative costs was available for error rates below 8 percent; Alabama, Hawaii, and North Dakota received 60 percent funding. States achieving a 25-percent reduction in their error rates were entitled to 55 percent funding. Three States were eligible at the 55-percent level then in effect: Maryland, Montana, and Wyoming.

Administrative problems in the Food Stamp Program are to be addressed through State corrective action plans approved by the Food and Nutrition Service. The General Accounting Office reported in 1984 that problems exist in the use of corrective action plans. (See "The Management System For Identifying and Correcting Problems In The Food Stamp Program Can Work Better," RCED-84-94, May 30, 1984.)

States are to use the information obtained from the quality control review process to prepare and carry out corrective action plans, as approved by the Department of Agriculture, to address all identified major problems.

Regulations define major problems that must be included in State plans. These include errors the State caused by using incorrect manuals, training materials, or policy guidance. Additionally, statewide error trends, error patterns in large project areas, and widespread problems identified through Service reviews, audits by the Office of Inspector General, or State or project-level investigations also must be addressed.

Regulations also require that corrective action plans describe the geographic extent, size, and cause of each major problem and the action needed to solve it. A crucial element of this process is the analytical work needed to make sure that plans address all major problems and that the proposed actions will take care of those problems. For example, reported data from quality control reviews and other management evaluations must be analyzed to determine (1) the underlying reasons for the problems, and (2) the actions that would resolve the specific problems. For individuals evaluations (such as State-conducted management evaluations) which normally cover only part of a State, analyzing and compiling the results of individual evaluation reports is a prerequisite for establishing the scope of any problem and the necessary corrective action.

Implementing corrective action plans requires the efforts of both State headquarters and local food stamp agency officials. Regulations require States corrective action plans to describe how the State will monitor and evaluate State and local progress in implementing corrective action plans and remedying the problems being addressed. Through onsite visits, progress reports, and feedback from regularly scheduled State or Federal management reviews, States are to determine whether problems have been reduced or eliminated and assess the effectiveness of the corrective action being used.

The GAO's report on corrective action plans in five States found that the Department of Agriculture had approved some State corrective action plans that did not address all major problems or did not deal with them effectively. In addition, some States did not follow Federal requirements to monitor and evaluate progress made in carrying out their plans. GAO found that the Department's requirements for state management evaluations of program operations were burdensome and had not been updated to cover all recent program changes.

## CHARACTERISTICS OF PROGRAM PARTICIPATION

The Food and Nutrition Service has conducted periodic surveys of food stamp households to determine the characteristics and circumstances of program participants. Information on participation characteristics after the implementation of the Omnibus Budget Reconciliation Act of 1982 is not yet available. The most recent survey, released in 1984, examined program participation in August 1982. This information is obtained from samples used in the quality control system described earlier. Additional quality control surveys were made in August of 1980 and 1981. Other surveys of food stamp household characteristics were made in November 1979, February 1978, and September 1976.

Over 20 million people in the United States received food stamp benefits in August 1982. With respect to the income characteristics of food stamp households, 17.6 percent of all households had members who had earned income. Nearly 42 percent of all food stamp households also received benefits under Aid to Families with Dependent Children [AFDC]. Social Security and Supplemental Security Income [SSI] were received by 19 percent and 18 percent of all food stamp households, respectively.

The following table outlines the sources of income for food stamp households in August 1982:

*Percent of households by selected income source*

| *Income source* | *Percent* |
|---|---|
| Earned income: | |
| Wages and salaries | 14.8 |
| Self-employment | 1.2 |
| Other earned income | 0.5 |
| Unearned income: | |
| Aid to Families with Dependent Children [AFDC] | 41.5 |
| General assistance [GA] | 7.2 |
| Supplemental Security Income [SSI] | 17.8 |
| Social Security | 18.5 |
| Other retirement benefits | 1.3 |
| Unemployment insurance [UI] | 1.6 |
| Workmen's compensation | 0.2 |
| Veterans' Administration | 0.7 |

| *Income source* | *Percent* |
|---|---|
| No income | 7.8 |
| Total [1] | 100.0 |

[1] Sum of individual income sources is greater than 100 percent because many households receive income from more than one source.

Source: U.S. Department of Agriculture, August 1982 Quality Control sample.

The percentage of food stamp households that reported earned income has remained fairly constant at under 20 percent, although there was some reduction between 1981 and 1982. The Department commented on this trend in an interim report to Congress on the effects of 1981 and 1982 legislative changes. (See "The Effects of Legislative Changes in 1981 and 1982 on Food Stamp Program Benefits: Interim Report to Congress," May 1984.)

> The change in the number of households with earnings was predictable. The new gross income limit made some higher-income households—many of which had earnings—ineligible for food stamps. At the same time, rising unemployment would be expected to result in fewer jobs among current participants and in fewer employed persons among new participants. Both factors are reflected in the observed decline in the number of food stamp households with earnings.

The following table outlines the percentage of households reporting earnings in various Department of Agriculture surveys:

*Percentage of food stamp households reporting earned income*

| | |
|---|---|
| September 1976 | 21.2 |
| February 1978 | 18.6 |
| November 1979 | 20.6 |
| August 1980 | 18.5 |
| August 1981 | 19.7 |
| August 1982 | 17.6 |

Source: U.S. Department of Agriculture.

The percent of households claiming no income (from any source) has remained at under 10 percent. The following table outlines the percentage of households reporting no income in various Department of Agriculture surveys:

*Percentage of food stamp households with no income*

| | |
|---|---|
| September 1976 | 2.8 |
| February 1978 | 4.6 |
| November 1979 | 6.9 |
| August 1980 | 8.1 |
| August 1981 | 7.3 |
| August 1982 | 7.8 |

Source: U.S. Department of Agriculture.

Consistently, around 40 percent of all food stamp households also receive Aid to Families with Dependent Children:

*Percentage of food stamp households also receiving AFDC benefits*

| | |
|---|---|
| September 1976 | 43.0 |
| February 1978 | 42.6 |
| November 1979 | 34.0 |
| August 1980 | (1) |
| August 1981 | 39.7 |
| August 1982 | 41.5 |

(1) Not available.

Source: U.S. Department of Agriculture.

The following table outlines the percentage of participating individuals who are elderly and the percentage of households containing one or more elderly member:

### ELDERLY PARTICIPATION

[In percent]

| Month | Participants who are elderly | Households with elderly members |
|---|---|---|
| September 1976 [1] | 6.5 | 17.2 |
| February 1978 [1] | 6.4 | 17.0 |
| November 1979 | 10.6 | 24.2 |
| August 1980 | 9.1 | 22.6 |
| August 1981 | 8.9 | 20.9 |
| August 1982 | 8.6 | 19.6 |

[1] The definition of elderly in the food stamp program was changed from 65 to 60 during 1978.

Source: U.S. Department of Agriculture.

The number of households containing children has fluctuated as demonstrated in the following table:

### HOUSEHOLDS WITH CHILDREN UNDER AGE 18

[In percent]

| Month | Participants that are children | Households containing children |
|---|---|---|
| September 1976 | 58.1 | (1) |
| February 1978 | 54.1 | (1) |
| November 1979 [2] | 46.7 | 51.4 |
| August 1980 [3] | 49.5 | 59.9 |
| August 1981 | 47.2 | 56.4 |
| August 1982 | 50.3 | 58.2 |

[1] Not available.
[2] Figure represents children 19 or less, not "under 18."
[3] Excludes Alaska and Hawaii.

Source: U.S. Department of Agriculture.

Food stamp households are typically headed by females. The proportion of female-headed households in the food stamp population is significantly larger than in either the U.S. population or the poverty population. The following table reflects the percentage of households headed by women:

*Percentage of food stamp households headed by women*

| | |
|---|---|
| September 1976 | 68.5 |
| February 1978 | 68.8 |
| November 1979 | 69.3 |
| August 1980 | (1) |
| August 1981 | 69.5 |
| August 1982 | 69.7 |

[1] Not available.

Source: U.S. Department of Agriculture.

The following table outlines the racial composition of food stamp households:

### DISTRIBUTION OF PARTICIPATING HOUSEHOLDS BY RACE OR ETHNIC ORIGIN OF HOUSEHOLD HEAD

| Month | White | Black | Hispanic | Other [1] |
|---|---|---|---|---|
| September 1976 | 43.6 | 34.0 | 6.7 | 5.7 |
| February 1978 | 48.7 | 29.2 | 9.4 | 12.7 |
| November 1979 | 56.8 | 33.1 | 6.1 | 4.0 |
| August 1980 | (2) | (2) | (2) | (2) |
| August 1981 | 45.1 | 36.8 | 10.5 | 7.6 |
| August 1982 | 47.5 | 37.9 | 10.5 | 4.1 |

[1] Includes American Indians, other, and unknown.
[2] Not Available.

Source: U.S. Department of Agriculture.

The following table outlines the distribution of participation of food stamp households by proverty income guidelines:

### PERCENT OF HOUSEHOLDS BELOW AND ABOVE POVERTY INCOME GUIDELINES

| | Gross income 0–50 percent of poverty | Gross income 51–100 percent of poverty | Gross income 0–100 percent of poverty | Gross income above 100 percent of poverty |
|---|---|---|---|---|
| September 1976 | NA | NA | 81.3 | 18.7 |
| November 1979 | 21.4 | 60.7 | 82.1 | 17.9 |
| August 1980 | 24.0 | 63.3 | 87.3 | 12.7 |
| August 1981 | 31.6 | 58.2 | 89.8 | 10.2 |
| August 1982 | 39.9 | 53.4 | 93.3 | 6.8 |

NA = Not available.

Source: U.S. Department of Agriculture, using OMB poverty guidelines.

Approximately 17 percent of all heads of household are required to register for work. The following table shows those meeting the various work registration requirements and those exempted from such requirements for various sample periods as calculated by the Department of Agriculture:

### DISTRIBUTION OF PARTICIPATING HOUSEHOLDS BY WORK REGISTRATION STATUS OF HOUSEHOLD HEAD

| | 1976 | 1978 | 1979 | 1981 | 1982 |
|---|---|---|---|---|---|
| Required to register for work | 15.0 | 13.7 | 14.5 | 14.3 | 17.3 |
| Exempt for work registration because: | | | | | |
| Already employed full time [1] | 12.5 | 11.6 | 10.3 | 7.9 | 6.6 |
| Responsible for care of dependent children or incapacitated adults | 36.2 | 35.1 | 28.1 | 32.8 | 34.9 |
| Less than 18 or 60 years and over | [2] 16.1 | [2] 16.6 | 22.6 | 19.7 | 18.9 |
| Disabled | 16.3 | 16.2 | 14.1 | 13.1 | 12.0 |
| WIN participant | NA | 3.3 | 4.9 | 6.5 | 6.8 |
| Receiving unemployment compensation | NA | NA | 1.4 | 1.7 | 3.0 |
| Student | 2.3 | 1.9 | 1.0 | .4 | .2 |
| Participant in drug addiction or alcoholic treatment program | NA | NA | NA | .6 | .3 |
| Status unknown | 1.6 | 1.6 | 3.1 | 3.0 | |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

[1] Employed at least 30 hours per week or receiving weekly earnings equal to or greater than the Federal minimum wage multiplied by 30 hours.
[2] Age of work registration until 1979 was 65, rather than 60.

Note.—Derived from quality control samples from September 1976, February 1978, November 1979, August 1981, and August 1982.

NA = Not available, that is, not collected at that particular time.

Source: U.S. Department of Agriculture.

The following table indicates the proportion of total food stamp benefits by State during fiscal year 1984. New York, Illinois, Ohio, and Texas accounted for $3 billion of total food stamp outlays for the year, or 27 percent of the total program.

### VALUE OF FOOD STAMP BENEFITS ISSUED

[Fiscal Year 1984]

| Rank | State | Benefits (thousands) | Percent of total |
|---|---|---|---|
| 1 | New York | $902,149 | 8.44 |
| 2 | Illinois | 696,400 | 6.52 |
| 3 | Ohio | 674,932 | 6.32 |
| 4 | Texas | 665,947 | 6.23 |
| 5 | California | 655,693 | 6.14 |
| 6 | Michigan | 581,815 | 5.44 |
| 7 | Pennsylvania | 557,759 | 5.22 |
| 8 | Florida | 379,274 | 3.55 |
| 9 | Kentucky | 335,158 | 3.14 |
| 10 | Louisiana | 322,181 | 3.02 |
| 11 | Alabama | 319,529 | 2.99 |
| 12 | Georgia | 294,980 | 2,76 |
| 13 | Tennessee | 289,611 | 2.71 |
| 14 | New Jersey | 265,568 | 2.49 |
| 15 | Mississippi | 257,701 | 2.41 |
| 16 | Indiana | 253,593 | 2.37 |
| 17 | North Carolina | 238,166 | 2.23 |
| 18 | Missouri | 209,484 | 1.96 |
| 19 | South Carolina | 201,521 | 1.89 |
| 20 | Virginia | 198,056 | 1.85 |
| 21 | Massachusetts | 182,482 | 1.71 |
| 22 | Maryland | 168,778 | 1.58 |
| 23 | West Virginia | 151,932 | 1.42 |
| 24 | Wisconsin | 141,354 | 1.32 |
| 25 | Oregon | 139,256 | 1.30 |
| 26 | Arkansas | 138,042 | 1.29 |
| 27 | Washington | 134,862 | 1.26 |
| 28 | Arizona | 127,174 | 1.19 |
| 29 | Oklahoma | 121,722 | 1.14 |
| 30 | Iowa | 104,129 | .97 |
| 31 | Minnesota | 97,220 | .91 |
| 32 | Colorado | 93,257 | .87 |
| 33 | New Mexico | 85,483 | .80 |
| 34 | Hawaii | 79,762 | .75 |
| 35 | Kansas | 67,433 | .63 |
| 36 | Connecticut | 64,965 | .61 |
| 37 | Maine | 63,805 | .60 |
| 38 | District of Columbia | 42,341 | .40 |
| 39 | Nebraska | 41,022 | .38 |
| 40 | Utah | 39,433 | .37 |
| 41 | Rhode Island | 36,805 | .34 |
| 42 | Idaho | 36,655 | .34 |
| 43 | Montana | 29,333 | .27 |
| 44 | Delaware | 24,407 | .23 |
| 45 | South Dakota | 24,337 | .23 |
| 46 | Virgin Islands | 24,124 | .23 |
| 47 | Nevada | 21,120 | .20 |
| 48 | Vermont | 20,720 | .19 |
| 49 | Alaska | 19,854 | .19 |
| 50 | Guam | 18,553 | .17 |
| 51 | New Hampshire | 17,531 | .16 |
| 52 | North Dakota | 14,485 | .14 |
| 53 | Wyoming | 14,029 | .13 |
|  | Total [1] | 10,685,922 | 100.00 |

[1] Excludes SSI/Elderly cashout, Northern Mariana; Preliminary data.

Source: U.S. Department of Agriculture.

Food stamp benefits vary between the participating jurisdictions. The following table demonstrates the average food stamp allotment for a family of four in each State:

FOOD STAMP PROGRAM, STATISTICAL SUMMARY OF OPERATIONS, APRIL 1984

[Region: Northeast]

| Region by State | Participation data |  | Coupons |  |  |
|---|---|---|---|---|---|
|  | Households | Persons | Value issuance | Average issuance (persons) | Average issuance (household) |
| Connecticut | 60,477 | 159,166 | $5,516,000 | $34.65 | $91.20 |
| Maine | 49,146 | 122,799 | 5,535,257 | 45.07 | 112.62 |
| Massachusetts | 148,395 | 360,860 | 14,870,514 | 41.20 | 100.23 |
| New Hampshire | 14,715 | 35,030 | 1,488,166 | 42.48 | 101.13 |
| New York State [1] | 774,793 | 1,893,840 | 75,516,131 | 39.87 | 97.46 |
| Rhode Island | 31,892 | 77,457 | 3,141,698 | 40.56 | 98.51 |
| Vermont [1] | 16,198 | 46,974 | 1,807,778 | 38.48 | 111.60 |
| Northeast | 1,095,576 | 2,696,126 | 107,875,544 | 40.01 | 98.46 |
| Delaware | 17,013 | 45,938 | 2,024,536 | 44.07 | 118.99 |
| Washington, DC | 32,950 | 79,080 | 3,531,723 | 44.66 | 107.18 |
| Maryland | 120,639 | 304,231 | 14,213,229 | 46.71 | 117.81 |
| New Jersey | 177,517 | 477,596 | 21,011,975 | 43.99 | 118.36 |
| Pennsylvania | 435,810 | 1,112,179 | 47,150,817 | 42.39 | 108.19 |
| Virginia [1] | 149,959 | 409,108 | 17,050,882 | 41.67 | 113.70 |
| West Virginia | 96,456 | 295,035 | 13,242,839 | 44.88 | 137.29 |
| Virgin Islands | 8,542 | 34,331 | 1,949,328 | 56.78 | 228.20 |
| Mid-Atlantic | 1,038,886 | 2,757,492 | 120,175,329 | 43.58 | 115.67 |
| Alabama | 217,890 | 630,248 | 26,967,289 | 42.78 | 123.76 |
| Florida | 259,927 | 695,636 | 31,421,049 | 45.16 | 120.88 |
| Georgia | 213,934 | 599,645 | 25,621,540 | 42.72 | 119.76 |
| Kentucky | 203,800 | 609,203 | 28,196,617 | 46.28 | 138.35 |
| Mississippi | 163,652 | 516,057 | 22,153,182 | 42.92 | 135.96 |
| North Carolina | 182,459 | 516,601 | 20,335,250 | 39.36 | 111.45 |
| South Carolina [1] | 133,157 | 404,388 | 17,044,055 | 42.14 | 128.00 |
| Tennessee | 203.996 | 574,629 | 24,702,783 | 42.98 | 121.09 |
| Southeast | 1,578,815 | 4,546,407 | 196,441,765 | 43.20 | 124.42 |
| Illinois | 439,392 | 1,154,223 | 57,388,892 | 49.72 | 130.61 |
| Indiana | 157,522 | 474,871, | 22,075,839 | 46.48 | 140.14 |
| Michigan | 451,234 | 1,091,931 | 49,950,153 | 45.74 | 110.69 |
| Minnesota [1] | 90,123 | 238,313 | 8,328.213 | 34.95 | 92.41 |
| Ohio [1] | 448,751 | 1,180,620 | 56,843,232 | 48.14 | 126.67 |
| Wisconsin | 133,303 | 373,877 | 12,240,955 | 32.74 | 91.82 |
| Midwest | 1,720,325 | 4,513,835 | 206,827,284 | 45.82 | 120.23 |
| Arkansas | 104,702 | 305,504 | 11,901,550 | 38.95 | 113.67 |
| Louisiana | 198,395 | 616,916 | 27,562,375 | 44.67 | 138.92 |
| New Mexico | 51,700 | 162,969 | 7,065,784 | 43.35 | 136.66 |
| Oklahoma | 99,407 | 265,602 | 10,613,845 | 39.96 | 106.77 |
| Texas | 391,098 | 1,281,015 | 56,847,765 | 44.37 | 145.35 |
| Southwest | 845,302 | 2,632,006 | 113,991,319 | 43.31 | 134.85 |

## FOOD STAMP PROGRAM, STATISTICAL SUMMARY OF OPERATIONS, APRIL 1984—Continued

[Region: Northeast]

| Region by State | Participation data |  | Coupons |  |  |
|---|---|---|---|---|---|
|  | Households | Persons | Value issuance | Average issuance (persons) | Average issuance (household) |
| Colorado | 67,354 | 182,321 | $7,875,460 | $43.19 | $116.92 |
| Iowa | 82,475 | 220.466 | 9,014,946 | 40.89 | 109.30 |
| Kansas | 49,986 | 132,873 | 5,716,769 | 43.02 | 114.36 |
| Missouri | 143,853 | 409,818 | 17,733,499 | 43.27 | 123.27 |
| Montana | 22,135 | 61,087 | 2,573,713 | 42.13 | 116.27 |
| Nebraska | 33,661 | 93,852 | 3,523,057 | 37.53 | 104.66 |
| North Dakota | 10,809 | 31,952 | 1,228,968 | 38.46 | 113.69 |
| South Dakota | 15,919 | 48,991 | 2,894,577 | 42.75 | 131.57 |
| Utah [1] | 24,038 | 78,578 | 3,488,160 | 44.13 | 144.27 |
| Wyoming | 10,552 | 29,525 | 1,350,947 | 45.75 | 128.92 |
| Mount Plains | 460,782 | 1,289,463 | 54,580,096 | 42.32 | 118.45 |
| Alaska | 8,123 | 23,994 | 1,576,883 | 65.72 | 194.12 |
| Arizona | 75,936 | 227,276 | 11,171,822 | 49.15 | 147.12 |
| California | 571,035 | 1,677,470 | 55,208,336 | 32.91 | 96.68 |
| Hawaii | 38,077 | 100,178 | 6,725,490 | 67.13 | 176.62 |
| Idaho | 23,286 | 68,467 | 3,331,376 | 48.65 | 143.86 |
| Nevada | 15,188 | 34,687 | 1,774,892 | 51.16 | 116.86 |
| Oregon [1] | 93,814 | 235,729 | 11,308,609 | 47.97 | 120.54 |
| Washington | 113,873 | 287,497 | 11,654,716 | 48.53 | 102.34 |
| Guam | 5,078 | 21,494 | 1,520,889 | 70.75 | 299.50 |
| Western | 944,410 | 2,676,792 | 104,273,013 | 38.95 | 110.41 |
| Northeast | 1,095,576 | 2,696,126 | 107,875,544 | 40.01 | 98.46 |
| Mid Atlantic | 1,038,886 | 2,757,492 | 120,175,329 | 43.58 | 115.67 |
| Southeast | 1,578,615 | 4,546,407 | 196,441,765 | 43.20 | 124.42 |
| Midwest | 1,720,325 | 4,513,835 | 206,827,284 | 45.82 | 120.23 |
| Southwest | 845,302 | 2,632,806 | 113,991,310 | 43.31 | 134.85 |
| Mount Plains | 460,782 | 1,289,463 | 54,580,096 | 42.32 | 118.45 |
| Western | 944,410 | 2,676,792 | 104,273,013 | 36.95 | 110.41 |
| SSI/elderly case-out demonstration projects | 34,451 | 37,011 | 1,123,155 | 30.35 | 32.60 |
| United States total | 7,718,547 | 21,149,132 | 905,287,505 | 42.80 | 117.29 |

[1] State totals excludes SSI elderly cash-out demonstration project. See attachment for explanation and supplemental data.

Additionally, the percentage of the population within each State that receives food stamps varies from a low of 3.21 percent in New Hampshire to a high of 19.17 percent in Mississippi. Thirteen States and the District of Columbia had 10 percent or more of their populations on food stamps in fiscal year 1984.

## PERCENT OF POPULATION RECEIVING FOOD STAMP BENEFITS, FISCAL YEAR 1984

|  | State/territory | Civilian population (in thousands) | FSP participants as percent of population |
|---|---|---|---|
| Mississppi | 2,575 | 493,549 | 19.17 |
| Kentucky | 3,689 | 572,194 | 15.51 |
| Alabama | 3,963 | 612,269 | 15.45 |
| West Virginia | 1,952 | 274,317 | 14.05 |
| Louisiana | 4,432 | 607,516 | 13.71 |
| District of Columbia | 616 | 75,557 | 12.27 |
| Arkansas | 2,339 | 275,203 | 11.77 |

## PERCENT OF POPULATION RECEIVING FOOD STAMP BENEFITS, FISCAL YEAR 1984—Continued

| | State/territory | Civilian population (in thousands) | FSP participants as percent of population |
|---|---|---|---|
| South Carolina | 3,231 | 378,589 | 11.72 |
| Michigan | 9,063 | 1,048,359 | 11.57 |
| New Mexico | 1,406 | 159,579 | 11.35 |
| Tennessee | 4,695 | 532,490 | 11.34 |
| Ohio | 10,737 | 1,130,139 | 10.53 |
| New York | 17,709 | 1,842,402 | 10.40 |
| Hawaii | 981 | 98,412 | 10.03 |
| Maine | 1,148 | 113,377 | 9.88 |
| Illinois | 11,471 | 1,119,739 | 9.76 |
| Georgia | 5,765 | 562,183 | 9.75 |
| Pennsylvania | 11,889 | 1,073,776 | 9.03 |
| Oregon | 2,672 | 224,414 | 8.40 |
| North Carolina | 6,057 | 476,855 | 7.87 |
| Oklahoma | 3,263 | 253,182 | 7.76 |
| Missouri | 4,990 | 381,947 | 7.65 |
| Indiana | 5,491 | 417,989 | 7.61 |
| Vermont | 530 | 40,108 | 7.57 |
| Wisconsin | 4,764 | 357,171 | 7.50 |
| Rhode Island | 957 | 71,689 | 7.49 |
| Texas | 15,845 | 1,186,232 | 7.49 |
| Arizona | 3,026 | 218,996 | 7.24 |
| Montana | 820 | 57,564 | 7.02 |
| Virginia | 5,468 | 378,311 | 6.92 |
| Maryland | 4,298 | 290,951 | 6.77 |
| Delaware | 607 | 40,347 | 6.65 |
| South Dakota | 699 | 46,368 | 6.63 |
| Iowa | 2,908 | 186,231 | 6.40 |
| California | 25,325 | 1,608,768 | 6.35 |
| Washington | 4,291 | 270,140 | 6.30 |
| Massachusetts | 5,784 | 348,243 | 6.02 |
| Florida | 10,881 | 651,550 | 5.99 |
| New Jersey | 7,491 | 443,903 | 5.93 |
| Idaho | 995 | 58,373 | 5.87 |
| Nebraska | 1,593 | 89,300 | 5.61 |
| Colorado | 3,137 | 170,490 | 5.43 |
| Minnesota | 4,160 | 226,025 | 5.43 |
| Kansas | 2,413 | 121,416 | 5.03 |
| Wyoming | 507 | 25,107 | 4.95 |
| Connecticut | 3,139 | 151,331 | 4.82 |
| North Dakota | 675 | 30,841 | 4.57 |
| Alaska | 476 | 20,816 | 4.37 |
| Utah | 1,645 | 71,759 | 4.36 |
| Nevada | 900 | 30,817 | 3.42 |
| New Hampshire | 972 | 31,164 | 3.21 |
| Total | 234,443 | 19,948,048 | [1] 8.27 |

[1] Average.

Note.—Figures are for July 1, 1984 and include the 50 States and the District of Columbia. Information on the territories not yet available from the Census Bureau.

Source: U.S. Department of Agriculture.

## NUTRITION ASSISTANCE BLOCK GRANT FOR PUERTO RICO

Until July 1, 1982, the Commonwealth of Puerto Rico participated in the Food Stamp Program under much the same conditions that governed other States and jurisdictions. The primary difference was that the benefit and allowable deduction levels were lower in Puerto Rico than in other jurisdictions.

While legislation in 1971 (Public Law 91-671) first permitted Puerto Rico to operate the Food Stamp Program, program implementation did not occur until after August 1973 with enactment of Public Law 93-86, which permitted extension of the Food Stamp Program to every area of the United States and Puerto Rico. By January 1975, all municipalities in Puerto Rico had implemented the Food Stamp Program. The Food Stamp Program replaced a program of direct commodity distribution, the Family Food Distribution Program.

By fiscal year 1981, about 1.8 million persons, or approximately 56 percent of the island's population, participated in the Food Stamp Program. The program became second only to the Social Security Program in terms of the value of benefits distributed in the Commonwealth, comprising 8 to 10 percent of the economy. Puerto Rico's participation was about 8 percent of the total participation in the United States that year, at a cost of about $915 million or 8 percent of the total Federal program expenditures. By 1982, Puerto Rico program costs were projected to be over $1 billion, or about 10 percent of total program costs, with over half of the island population participating. The following table demonstrates the rates of participation and cost of the Food Stamp Program in Puerto Rico since fiscal year 1975:

FOOD STAMP PARTICIPATION AND COST IN PUERTO RICO

[Dollars in millions, participants in thousands]

| Fiscal year | Cost |  | Participants |  |
|---|---|---|---|---|
|  | Amount | Percent of total | Number | Percent of total |
| 1975 [1] | $261 | 5.6 | 375 | 2.2 |
| 1976 | 541 | 9.5 | 1,672 | 9.0 |
| 1977 | 609 | 11.1 | 1,619 | 9.5 |
| 1978 | 693 | 12.5 | 1,582 | 9.9 |
| 1979 | 748 | 10.8 | 1,816 | 10.3 |
| 1980 | 827 | 9.0 | 1,815 | 8.8 |
| 1981 | 879 | 7.8 | 1,800 | 8.0 |
| 1982 [2] | 896 | 8.1 | 1,810 | 8.2 |
| 1983 | 777 | 6.1 | 1,570 | 6.8 |
| 1984 | 779 | 6.3 | 1,530 | 6.8 |

[1] Excludes 557,000 participants and $32.5 million from the Family Food Distribution Program.
[2] October 1981 to June 1982, on an annualized basis.

Source: Food and Nutrition Service, USDA.

The Puerto Rico quality control error rate from October 1980 to March 1981, measuring payments to ineligible persons, overpayments, and underpayments, was among the highest in the Nation (14 percent), and illegal trafficking of food stamps appeared to be a widespread problem.

As a result of congressional concerns about these factors, Congress established a block grant for the Food Stamp Program in Puerto Rico at a fixed amount of $825 million annually. This change was included in the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35), and was to take effect on July 1, 1982.

The block grant approach reduced the funding of this nutritional program by 25 percent below projected fiscal year 1983 levels and capped the program at $825 million for each of fiscal years 1983, 1984, and 1985. Because actual food price inflation has been less than was anticipated in 1981 when the block grant was adopted, the actual reduction in benefits in total monthly value of benefits issued in Puerto Rico during fiscal year 1983 was about 15 percent less than would have been expected under the Food Stamp Program. The block grant funds provide 100 percent of the cost of recipients' benefits and 50 percent of program administration costs.

As expressed in the conference report accompanying the Omnibus Budget Reconciliation Act of 1981, it was the intent of the conferees to allow the government of the Commonwealth considerable latitude in formulating a plan to meet the special needs of its low-income population. The Secretary of Agriculture may make payments to the Commonwealth only under program plans that he approves.

Beginning July 1, 1982, with the Secretary's approval, Puerto Rican recipients received their benefits monthly in the form of checks rather than the food stamp coupons previously issued. In addition to changing the form of benefits, numerous changes were made in the eligibility guidelines, application and issuance procedures, and other administrative features of the program in Puerto Rico.

In 1982, Congress approved a return of the program to a noncash system by October 1, 1983. In addition, this legislation required the Secretary of Agriculture to conduct a study of the Cash Food Assistance Program in Puerto Rico, including the impact of the program on the nutritional status of residents of Puerto Rico and the economy of Puerto Rico, and to report the findings of the study to the House and Senate Agriculture Committees no later than 6 months after the effective date of the legislation. These provisions were enacted into law on September 8, 1982, as part of the Omnibus Budget Reconciliation Act of 1982 (Public Law 97-253).

The mandate to convert to a noncash system remained in effect until September 30, 1983, when Congress passed a provision in a continuing appropriations bill for fiscal year 1984 (Public Law 97-107) that delayed implementation of the noncash program for an additional 3 months, until January 1, 1984.

Subsequent legislation in November 1983 delayed the implementation of the noncash requirement until October 1, 1985 (Public Law 98-204).

Puerto Rico chose to implement its block grant with the following major changes, in addition to the cash assistance:

Maximum allowable liquid resources were reduced from $1,500 to $1,000 per household except in households with elderly or disabled recipients.

Gross income eligibility standards were reduced from $11,000—for a family of four—to $8,000. Congressional and administration critics of the pre-block-grant program had noted that it was reasonable to lower the poverty level applicable i Puerto Rico since the overall cost of living on the island was considerabley lower than in the continental United States, thus contributing to the high proportion—56 percent—of the population on the Food Stamp Program.

Allowable medical expenses were set at a maximum of $100 per month.

Unannounced home visits—banned by Federal regulations for the regular Food Stamp Program—were reinstated.

One appointment for a certification interview is made. If the appointment is not kept, and the household does not institute arrangements to appear on another date, the household will be disqualified. Federal food stamp regulations provide that the State agency has responsibility for seeking out a recipient who does not appear for an interview and scheduling a second interview, a process which many caseworkers have indicated is time consuming and unnecessary.

Students and workers temporarily living away from the family are not permitted to qualify as a separate household.

Households that are not entitled to benefits of a least $10 per month will not receive benefits. Under the regular program, one- and two-person households receive $10 minimum benefits, regardless of the amount to which they are actually entitled while other, larger households may receive benefits as low as $2 per month.

Manual issuances were eliminated. Checks are mailed twice every month.

Work registration, as such, was eliminated, and a program was developed in coordination with the Department of Labor in which, in every municipality, Department of Labor personnel will seek employment for those participants that are physically and mentally able and ready to work.

All adult household members applying for program benefits are required to sign an authorization to request information so that the agency may verify the information submitted by the household. Failure to provide this form within 10 days will result in a denial of the application.

For each case in which a determination for retroactive benefits is made, a local office supervisor is required to review the case and sign the document to authorize the issuance of benefits.

The definition of household has been changed to count all persons, regardless of age and relationship, who are living in a common living arrangement, excluding roomers and boarders, as one household.

Documentary evidence must be provided by all self-employed persons to substantiate production costs associated with their self-employment.

Drug and alcoholic rehabilitation institutions may receive benefits only on behalf of recipients who do not have other household members participating in the Food Stamp Program. For rehabilitation recipients who have other household members participating in the Nutrition Assistance Program, the benefits are provided to the household on behalf of the institutionalized individual.

Aliens must provide verification of alien status at the time of certification rather than within 2 months after certification as had been the case under the Federal regulations.

Any information supplied by a recipient can be verified. Under Federal regulations, the only information that can be verified is that which is inconsistent with statements made by the applicant or inconsistent with other information shown on previous applications.

The following table summarizes the major changes in the Nutrition Assistance Program adopted in Puerto Rico with the policies of the Food Stamp Program which previously had operated in Puerto Rico:

### COMPARISON OF PROVISIONS OF ELIGIBILITY AND BENEFIT DETERMINATION IN PUERTO RICO

| Provisions | Food Stamp Program[1] | Nutrition Assistance Program |
|---|---|---|
| Asset limit | $1,500 (nonelderly) | $1,000 (nonelderly). |
| | $3,000 (elderly) | $3,000 (elderly). |
| Gross income limit (family of 4) | $10,985 per year | $8,000 per year. |
| | ($916 per month) | ($667 per month). |
| Net income limit (family of 4 with elderly or disabled). | $8,460 per year | $6,156 per year |
| | ($705 per month) | ($513 per month). |
| Earnings deduction | 18 percent of earned income | 20 percent of earned income. |
| Standard deduction | $50 | $40. |
| Shelter/child care | $40 maximum | $40 maximum. |
| Medical deduction | Excess above $35 | $100 maximum. |
| Benefit reduction rate | 30 percent of net income | 30 percent of net income. |
| Maximum benefit (family of 4) | $221 | $199 plus or minus pro rata monthly adjustment. |
| Minimum benefit | $10 for 1 and 2 person households | Households eligible for benefits below $10 receive $0. |
| Pro rata benefit adjustment | None | Variable (applied monthly as benefit claims differ from available funds). |
| Certification standard | 30 days from date of application | 60 days from date of application. |
| Payment period | From date of application | First month after date of certification. |

[1] This colum summarizes the Food Stamp Program as of June 1982, the last month of operation. Some of these provisions would have been updated if the program had continued in Puerto Rico. In January 1984: the gross income limit for a family of four would have been $12,870 per year (or $1,073 per month); the net income limit would have been $9,900 per year (or $825 per month); the standard deduction would have been approximately $52 per month. The maximum shelter deduction would have been approximately $43 per month; and the maximum allotment for a family of four would have been about $237 per month.

Source: Food and Nutrition Service, USDA.

Immediately following the implementation of the Nutrition Assistance Program in Puerto Rico, the number of participants declined 8 percent from the level of food stamp participation in June 1982, the last month of Food Stamp Program operation in Puerto Rico. The caseload continued to decline in the following months as the new eligibility standards and increased verification efforts were applied on a case-by-case basis. By December 1982, there were 259,000 fewer participating households—about 14 percent less than in the Food Stamp Program in June 1982. Overall, average monthly participation during the first 6 months of the new program was about 12 percent less than would have been expected in the regular Food Stamp Program. Participation in the Puerto Rican program stabilized during fiscal year 1983. The average number of participants was nearly 1.6 million, with participation in any one month ranging from 1.55 million to 1.60 million. The following table shows participation and costs since the implementation of the block grant:

| Fiscal year/quarter | Participants (millions) | Total benefits (millions) | Average benefits per person |
|---|---|---|---|
| 1982: IV | 1.66 | $200.1 | $40.07 |
| 1983: | | | |
| I | 1.59 | 194.8 | 41.07 |
| II | 1.58 | 195.4 | 41.25 |
| III | 1.58 | 191.0 | 40.34 |
| IV | 1.55 | 196.7 | 42.19 |
| Total | 1.57 | 777.9 | 41.21 |
| 1984: | | | |
| I | 1.55 | 192.8 | 41.36 |
| II | 1.53 | 194.3 | 42.31 |
| III | 1.52 | 192.4 | 42.25 |
| IV | 1.50 | 199.4 | 44.33 |
| Total | 1.53 | 778.9 | 42.55 |

Source: Food and Nutrition Service, USDA.

The Nutrition Assistance Program reduced the caseload through tighter income eligibility standards and more intensive income verification. Implementation of the new program rules was expected to cause a decline in the number of relatively high income households. Furthermore, since the level of income is often associated with other household characteristics, some shifts in the types of households served by the program were also expected.

A comparison of the characteristics of the June 1982 food stamp caseload with the block grant caseload in October 1982 shows that participation characteristics in the new program are quite similar to those during the Food Stamp Program.

The following table outlines the characteristics of participating households under the two programs:

| | Food Stamp Program June 1982 | Block grant October 1982 |
|---|---|---|
| Average household size | 3.6 | 3.7 |
| Gross (monthly) income | $217 | $217 |
| Benefit levels | $147 | [1] $151 |

[1] Benefits were indexed in the regular Food Stamp Program on October 1.

The distribution of households by income is very similar under both the Food Stamp Program and the Puerto Rican block grant although there was a slight shift toward lower income households. In June 1982, 7 percent of all food stamp households in Puerto Rico had gross incomes equal to or above the proverty line. By October, less than 2 percent of all households had incomes above the poverty level. While reductions in participation were seen at all levels of income, the reduction in the number of households with relatively high incomes was proportionately greater.

With the exception of earnings, most groups accounted for approximately the same percentage of the caseload under the block grant as they did under the Food Stamp Program. The percentage of houseloads with earners dropped nearly 9 points from 36 percent to 27 percent under the new Block Grant Program. The number of households with zero income fell by 16 percent. Most of this decline occurred during the initial conversion to the Block Grant Program. This may be due to several factors including increased verification of household circumstances, the correction of income underreporting, and a change in household definition.

## COMPARISONS WITH OTHER ASSISTANCE PROGRAMS

One of the issues identified by the chairman in his instructions on this print was to include a comparison with various other public assistance programs. The other major Federal public assistance program is the Aid to Families with Dependent Children [AFDC] Program. This program is designed to provide assistance to needy dependent children living with a parent, relative or (by court order) in foster homes or private nonprofit child-care institutions. Those individuals participating in the AFDC Program are automatically, or categorically, eligible to participate in the Medicaid Program which provides medical assistance to low-income households.

The Supplemental Security Income [SSI] Program also provides cash assistance to individuals with limited income who are aged 65 or over or who are blind or disabled.

Additionally, some States and local governments provide cash assistance to low-income households. Typically, such assistance, where it exists, is available only to those individuals or households who do not receive AFDC benefits. Because these State and local programs vary a great deal, when they exist at all, the Food Stamp Program will be compared primarily with the AFDC Program and, to a lesser extent, the Supplemental Security Income [SSI] Program.

The AFDC Program is administered by the States, although the benefit costs are shared with the Federal Government. The States pay up to 50 percent of the benefit costs, some pay as low as 22 percent. The average Federal share in fiscal year 1984 was 54 percent. The percentage is calculated based on a formula designed to measure a State's "ability" to generate tax revenue.

While certain national rules apply, other policy issues are decided on a State-by-State basis.

With regard to the specific definitions of income for the Food Stamp Program, the following is a comparison with AFDC and SSI:

### *Incremental changes in income*

The Food Stamp Program does not require the reporting of small income changes—that is, those under $30 per calendar quarter. In the AFDC Program, any change of income is to be reported. Additionally, in the SSI Program, "infrequent and irregular" income may be excluded. By regulation, such exemptions have been defined as $30 per calendar quarter.

### *Educational grants, loans, scholarships*

Any portion of educational grants, loans, scholarships, or other benefits which is used for tuition and mandatory school fees is excluded from inclusion as "income" for food stamp purposes. Additionally, it should be noted that money earned by working students and used to pay tuition and mandatory school fees is counted as income. It is only in the case of loans, grants, scholarships, fellowships, and veterans' educational benefits that no portion of such educational benefits are counted as income to the extent they are used for tuition and mandatory school fees.

In the AFDC Program, all educational benefits administered by the Department of Education are excluded from being counted as income. Additionally, States have authority to exclude other educational benefits and other cash benefits when the amounts received are not usable for day-to-day expenses.

The SSI policy is similar to that of the Food Stamp Program in that any portion of any grant, scholarship, or fellowship received for the purpose of paying the cost of tuition and fees and other educational expenses is excluded from income.

### *Other loans*

The Food Stamp Program excludes from income the value of all loans other than educational loans on which repayment is deferred. The policy under the AFDC Program varies among States. Some States count the value of such loans as income, on the premise that the household's "income" has been increased during the period during which the loan proceeds are received. Such States typically will then subtract loan repayments in subsequent months when such repayments are made.

The SSI policy makes a distinction between "formal" loans—that is, loans legally binding under State law—and "informal" loans, with the former excluded from income and the latter included in income. The purpose of this distinction is to differentiate between bonafide, usually institutional, loans versus loans from friends or relatives which may not be repaid—and would become a gift.

### *Age of the income earner*

In the Food Stamp Program, only income from household members 18 and over is counted in the household's income determination. In the AFDC Program, however, income from students age 16 and over and working full-time is counted as income for eligibility and benefit purposes. Income of younger children in AFDC households is not counted. In the SSI Program, income from all recipients, regardless of age, is counted.

### *Lump-sum payments*

In the Food Stamp Program, lump sum payments (which include such payments as income tax refunds, rebates, or credits, retroactive lump-sum social security or railroad retirement pension payments and retroactive lump-sum insurance settlements) are not counted as income in the month received. Rather, such amounts are counted toward the resource, or asset, limits. As a result of the Omnibus Budget Reconciliation Act of 1981, lump-sum payments are counted as income in the AFDC Program. Such payments are counted along with any other household income to determine whether the household is eligible for AFDC benefits that month. If the total income, including the lump-sum payment, surpasses the eligibility standard—identified as the "standard of need" in the AFDC Program--the household is not permitted to participate that month. Any individual income above the eligibility standard is carried forward to determine how many additional months (or part of a month) the household will be precluded from participating in the program. For instance, assume a standard of need of $400. The household's regular monthly income is $100. During one month, the household receives a lump-sum payment of $350. In this example, the household would be removed automatically from participation for 1 full month, because the total income received—$450—exceeds the maximum standard of need of $400. Additionally, the balance of the calculation—$50—is carried over into the next month. Together with any regular income—$100 in this example—the $50 is counted as income and affects the level of benefits paid in the following month, as well as the initial month.

In the SSI Program, lump-sum payments are counted as income in the month received, and a resource in the months thereafter. Thus, if the payment is larger than the eligibility standard—called the guarantee level in the SSI Program—the household is not permitted to participate in that month. However, the household is not removed for subsequent months, no matter how large the lump-sum income unless the remaining income exceeds the resource limit.

It should be noted that the effect of the current dissimilar treatment of lump-sum payments can result in increased food stamp benefits to certain households that receive lump-sum payments.

This occurs because AFDC and SSI cash payments—which are counted as income in the Food Stamp Program—have been reduced because of the increased income from the lump-sum payment. However, inasmuch as the Food Stamp Program does not count the lump-sum payment as income, but only the cash assistance grant from AFDC or SSI (which has declined), food stamp benefits are increased.

*Other excluded income*

As in the Food Stamp Program, certain Federal assistance programs, including AFDC and SSI, are required to disregard income derived from other Federal programs by the statutes governing those other programs. While this income is usually treated the same for all programs, there are differences. For example, income received under the Jobs Training Partnership Act is included as income for the SSI Program but is excluded in other programs, such as the Food Stamp Program, and may be excluded, at the option of the State, in the AFDC Program.

*Energy assistance*

Federal energy assistance provided to low-income households is excluded from income in all three programs. Additionally, AFDC provides authority for the State to exclude other in-kind energy assistance. SSI specifically excludes such in-kind assistance from being counted as income.

*Other differences*

AFDC excludes several types of income which are counted in the Food Stamp Program. For example, foster care payments, work incentive program stipends, and a portion of a step parent's income are not counted as income for AFDC purposes, but are counted as income in the Food Stamp Program.

### ASSETS

A number of studies have been conducted in recent years to address the issue of how, or whether, to make the various Federal assistance programs more uniform with regard to definitions, treatment of assets, and processing applications. One such study was the eligibility simplification project, completed in October 1980.

The assets ceiling in the Food Stamp Program is $1,500 for all households unless they have and elderly or disabled member, in which case households with two or more persons (one of whom is elderly or disabled) a $3,000 limit applies. The assets limit for AFDC is set by each State, up to a maximum of $1,000 per household. The SSI assets limit is $1,600 for one person and $2,400 for two people. This limit is scheduled to be increased by $100 a year until the limits are established at $2,000 for one person and $3,000 for two in 1989.

While the AFDC statute permits States to include the value of household goods and personal effects as part of the assets test, most States do not. In SSI, household goods and personal effects are excluded as long as their total equity value is $2,000 or less. The excess above $2,000 is counted toward the assets ceiling.

Food stamp regulations specify that one burial plot per household member is excluded in determining the household's countable assets. In both SSI and AFDC, by statute, one burial plot per household member is exempt from inclusion as an asset.

With respect to the home and surrounding property, the SSI Program, like the Food Stamp Program, excludes these assets. However, the food stamp regulations also exclude a lot on which the household is building or intends to build a home. In the AFDC Program, most States exclude the home and surrounding property without limit as to size (acreage) or value. However, some States establish limits on the value of surrounding property that may be excluded.

### WORK REGISTRATION

SSI is, by its purpose, exclusively for those aged 65 or over and those who are blind and disabled. The elderly are not required to work. The only requirement under SSI with respect to the blind and disabled is that they be referred to, and accept the services of, the State vocational rehabilitation service.

AFDC requires those 16 and older who are not in school to register for work, as compared to the food stamp rule of age 18 and older. The upper age limit requirements are also different. AFDC requires work registration until age 65; work registration is required under the Food Stamp Program until age 60.

For purposes of workfare, AFDC also exempts an adult household member who is caring for a child under age 3; the Food Stamp Program exempts those caring for a child under age 6. For work registration, both AFDC and food stamps have age 6 as the age of child which exempts a parent. Both programs exempt an adult caring for an incapacitated person.

AFDC also permits, at State option, the use of workfare for able-bodied recipients.

## HOUSEHOLD DEFINITION

In the SSI Program, the household is an individual or couple who are age 65, blind, or disabled.

The AFDC statute now requires States to include in the assistance unit the parents and all minor siblings (except SSI recipients and any step brothers and step sisters) living with a child who applies for or receives AFDC, and to count the income of grandparents as available to the family when the grandparents reside with a person applying for aid as the parent of a needy child.

## HEARINGS CONDUCTED BY THE SENATE COMMITTEE ON AGRICULTURE AND FORESTRY AND THE SENATE COMMITTEE ON AGRICULTURE, NUTRITION, AND FORESTRY

The accompanying list provides the titles of hearings conducted on the Food Stamp Program by the Senate Committee on Agriculture and Forestry prior to 1977 and the Senate Committee on Agriculture, Nutrition, and Forestry since that time. All hearings were held by the full committee unless otherwise noted.

National Food Allotment Plan, January 14, 19, 21, 25, and 26, 1944 (Subcommittee on S. 1331).

Food Distribution Programs, June 4, 5, and 8, 1959 (Subcommittee on Agricultural Production, Marketing, and Stabilization of Prices).

Food Stamp Act of 1964, June 18 and 19, 1964.

Food Stamp Appropriations Authorization, April 25, 1967 (Subcommittee on Agricultural Research and General Legislation).

Food Stamp Program and Commodity Distribution, May 22, 23, 26, and 27, 1969.

Commodity Distribution and Food Stamp Programs, March 27 and 28, 1974 (Subcommittee on Agricultural Research and General Legislation).

Food Stamp Reform, Part I, October 7, 8, 10, and 20, 1975 and Part 2, November 17, 18, 19, and 20, 1975 (Subcommittee on Agricultural Research and General Legislation).

Food Stamp Vendor Fraud, January 21, 1976 (Subcommittee on Agricultural Research and General Legislation).

Food Stamps, March 25, 1977 (Subcommittee on Nutrition).

Oversight of the 1980 Food and Nutrition Service Budget, February 27 and 28, 1979 (Subcommittee on Nutrition).

Food Stamps for the Elderly, June 1, 1979 (Miami, Florida) (Subcommittee on Nutrition).

Food Stamp Authorization for 1979, June 14, 1979 (Subcommittee on Nutrition).

Food and Nutrition Program Optional Consolidation and Reorganization Act of 1979, December 11, 1979 (Subcommittee on Nutrition).

Nutrition Needs of the Elderly, August 12, 1980 (Wichita and Kansas City, Kansas) (Subcommittee on Nutrition).

Proposed Reauthorization of the Food and Agriculture Act of 1977, Part II (Food Stamps), March 16, April 2 and 6, 1981.

Oversight on Federal Nutrition Programs, February 22 and 23, 1982 (Subcommittee on Nutrition).

Reauthorization of the Food Stamp Program, March 29, 1982.

Oversight on Federal Nutrition Programs, March 14, 1983 (Subcommittee on Rural Development, Oversight, and Investigations).

Mandatory, Workfare Program for Able-Bodied Food Stamp Recipients, March 16, 1983.

Oversight, on Nutritional Status of Low-Income Americans in the 1980's, April 6, 1983 (Subcommittee on Nutrition).

Administration's Budget Proposals for the Food and Nutrition Service Programs, April 11, 1983.

Effectiveness, of Federal Food, Nutrition, and Surplus Commodity Distribution Programs, June 13, 1983 (Subcommittee on Rural Development, Oversight, and Investigations).

State Implementation of Recent Food Stamp Program Reforms, October 18, 1983 (Subcommittee on Nutrition).

Review the Report of the President's Task Force on Food Assistance, January 26, 1984 (Joint hearing between the Subcommittee on Domestic Marketing, Consumer Relations, and Nutrition of the House Committee on Agriculture, the Subcommittee on Elementary, Secondary, and Vocational Education of the House Committee on

Education and Labor, and the Subcommittee on Nutrition of the Senate Committee on Agriculture, Nutrition and Forestry).

Food Stamp Optional Block Grant Act, February 1, 1984.

Review of the Grace Commission Report on the Department of Agriculture, February 22, 1984.

Oversight of the Food Stamp Program, March 19, 1984 (Raleigh, N.C.) and March 21, 1984 (Full Committee) and April 30, 1984 (Subcommittee on Nutrition).

Oversight of Food and Nutrition Service Programs: Food Stamps, Child Nutrition, and Commodity Distribution, April 25, 1984.

These hearings are typically available for review in depository libraries. Copies of more recent hearings (since 1981) may be available from the Committee. If such copies are available, one copy can be furnished to those sending a return mailing label for each hearing desired to the Senate Committee on Agriculture, Nutrition. and Forestry, Attention: Hearing Clerk, Washington, D.C. 20510.

## GENERAL ACCOUNTING OFFICE REPORTS

The following is a list of reports issued by the General Accounting Office which focus, in full, or in part, on the operation of the Food Stamp Program.

Administration and Effectiveness of the Food Stamp Program, May 16, 1972.

Preliminary Report on the Special Supplemental Food Program, B-176994, September 28, 1973.

Examination of Financial Statements—Bureau of Engraving and Printing Fund, Fiscal Years 1972 and 1973, B-114801, March 19, 1974.

Effectiveness of Project FIND—Helping the Elderly to Obtain Food Assistance and Other Services, B-164031(3), April 5, 1974.

Administration and Effectiveness of Family Food Programs on Selected Indian Reservations in New Mexico and South Dakota, A-51604, May 30, 1974.

Differences in Administering and Operating the Food Stamp Program in Selected States and Counties, A-51604, May 31, 1974.

Observations on Food Stamp Program, RED-75-342, February 28, 1975.

Outlays, Beneficiaries, and Evaluations of Federal Programs Benefiting the Poor, MWD-75-87, June 2, 1975.

Review of Crimes in Computer-Based Data Processing Systems, June 17, 1975.

Review of Crimes in Computer-Based Data Processing Systems, August 13, 1975.

Identification of Food Stamp Issues, OSP-76-10, January 28, 1976.

Processing Applications for Food Stamps: How Long Does It Take? RED-76-36, February 27, 1976.

Controls Over Food Stamp and Welfare Programs, FGMSD-76-36, April 7, 1976.

Student Participation in the Food Stamp Program at Six Selected Universities, RED-76-105, April 29, 1976.

Differences Identified in Five Aspects of the Food Stamp, Aid to Families with Dependent Children, and Supplemental Security Income Programs, MWD-76-131, May 11, 1976.

Proposals for Improved Identification Requirements for Food Stamp Recipients, June 17, 1976.

Summary of GAO Reports Issued Since 1973 Pertaining to Farm Bill Legislation, CED-77-39, March 3, 1977.

Nationwide Food Consumption Survey, CED-77-56, March 25, 1977.

Testing Various Alternative Identification Requirements for Food Stamp Recipients, CED-77-53, CED-77-54, April 1, 1977.

The Well-Being of Older People in Cleveland, Ohio, HRD-77-70, April 19, 1977.

Proposed Public Relations Personnel Costs in 20 Federal Agencies and Various Other Costs, LCD-77-65, June 10, 1977.

Food Stamp Receipts: Who's Watching the Money? CED-77-76, June 15, 1977.

The Food Stamp Program: Overissued Benefits Not Recovered and Fraud Not Punished, CED-77-112, July 18, 1977.

Possible Food Stamp Fraud by Certain Migrant Farm Workers in Polk County, Minnesota, August 1, 1977.

Supplement to Comptroller General's Report to the Congress, "The Food Stamp Program—Overissued Benefits Not Recovered and Fraud Not Punished," CED-77-112A, August 31, 1977.

Food Waste: An Opportunity to Improve Resource Use, CED-77-118, September 16, 1977.

Impact of Illegal Aliens on Public Assistance Programs: Too Little Is Known, GGD-78-20, December 1, 1977.

Problems With the Emergency Food Stamp Program, March 31, 1978.

Food Stamp Work Requirements: Ineffective Paperwork or Effective Tool? CED-78-60, April 24, 1978.

Problems Persist in the Puerto Rico Food Stamp Program, the Nation's Largest, CED-78-84, April 27, 1978.

Review of the Better Jobs and Income Bill, HRD-78-110, May 23, 1978.

Federal Domestic Food Assistance Programs: A Time for Assessment and Change, CED-78-113, June 13, 1978.

Reasons for Funding Selected Entitlements Programs by Other Than 1-Year Appropriations, PAD-78-46b, July 14, 1978.

Recommended Dietary Allowances: More Research and Better Food Guides Needed, CED-78-169, November 30, 1978.

Regulations of Retailers Authorized to Accept Food Stamps Should Be Strengthened, CED-78-183, December 28, 1978.

Welfare Payment Reduced: An Improved Method for Detecting Erroneous Welfare Payments, GGD-78-107, February 5, 1979.

The Government Can Be More Productive in Collecting Its Debts by Following Commercial Practices, FGMSD-78-59, February 23, 1979.

The Government Can Collect Many Delinquent Debts by Keeping Federal Tax Refunds as Offsets, FGMSD-79-19, March 9, 1979.

Effect of the Department of Labor's Resource Allocation Formula on Efforts to Place Food Stamp Recipients in Jobs, CED-78-107, August 15, 1979.

U.S. Income Security System Needs Leadership, Policy, and Effective Management, HRD-80-33, February 29, 1980.

Efforts to Control Fraud, Abuse, and Mismanagement in Domestic Food Assistance Programs: Progress Made—More Needed, CED-80-33, May 6, 1980.

Comparison of Data on Older People in Three Rural and Urban Locations, HRD-80-83, May 23, 1980.

Oregon's Offset Program for Collecting Delinquent Debts Has Been Highly Effective, FGMSD-80-68, July 17, 1980.

Better Management Information Can be Obtained From the Quality Control System Used in the Aid to Families with Dependent Children Program, HRD-81-80, July 18, 1980.

Reduced Cost and Increased Competition for Printing Food Stamp Coupons, July 25, 1980.

Areas Needing Improvement in the Adult Expanded Food and Nutrition Education Program, CED-80-138, September 4, 1980.

Preliminary Information on Food Stamp Workfare Pilot Projects, CED-80-129, September 30, 1980.

Alleged Intervention of the Food Research and Acting Center (FRAC) Into Certain Food Stamp Program Activities, HRD-81-16, October 14, 1980.

Military Personnel Eligible for Food Stamps, FPCD-81-27, December 9, 1980.

Summary of GAO Reports Issued Since 1977 Pertaining to Farm Bill Legislation, CED-81-43, January 21, 1981.

Poor Controls Over Federal Aid in Massachusetts After the 1978 Blizzard Caused Questionable Benefit Payments, CED-81-4, January 26, 1981.

Information on Dine-Out Feature of the Food Stamp Program, CED-81-72, February 27, 1981.

U.S. General Accounting Office: Comments on the President's February 18, 1981, Budget Proposals and Additional Cost-Saving Measures, OPP-81-2, March 3, 1981.

What can be Done to Check the Growth of Federal Entitlement and Indexed Spending? PAD-81-21, March 3, 1981.

(Letter report to Representative William C. Wampler regarding alleged intervention by the New Hampshire Legal Assistance group into the implementation of a food stamp workfare pilot project in Nashua, New Hampshire), B-201928, March 5, 1981.

Information on Strikers' Participation in the Food Stamp Program, CED-81-85, March 26, 1981.

Improved Collections Can Reduce Federal and District Government Food Stamp Program Costs, GGD-81-31, April 3, 1981.

(Letter report to Senator Jesse Helms regarding food stamp title of S. 884), B-202967 CED-1-152, April 29, 1981.

Millions Can be Saved by Improving the Productivity of State and Local Governments Administering Federal Income Maintenance Assistance Programs, AFMD-81-51, June 5, 1981.

HHS Ability to Effectively Implement Incentive Funding for State Information Systems in the Aid to Families with Dependent Children Program, HRD-81-119, June 29, 1981.

Insight Gained in Workfare Demonstration Projects, CED-81-117, July 31, 1981.

More Vigorous Action Needs to be Taken to Reduce Erronenous Payments to Recipients of the Aid to Families with Dependent Children Program, GGD-82-15, November 9, 1981.

High Food Prices in the Virgin Islands, CED-82-23, December 16, 1981.

Legislative and Administrative Changes to Improve Vertification of Welfare Recipients' Income and Assets Could Save Hundreds of Millions, HRD-82-9, January 14, 1982.

Legal Services Corporation Grantees' Involvement Concerning the Tazewell County, Virginia, Workfare Project, HRD-82-34, January 28, 1982.

Millions could be Saved by Improving Integrity of the Food Stamp Program's Authorization-To-Participate System, CED-82-34. January 29, 1982.

Food Stamp Workfare: Cost Benefit Results Not Conclusive; Administrative Problems Continue, CED-82-44, February 19, 1982.

Changes Are Needed in the Proposed Departmental Review and Evaluation of the Puerto Rico Block Grant, CED-82-50, February 24, 1982.

U.S. General Accounting Office: Staff Views on the President's Fiscal Year 1983 Budget Proposals, OPP-82-1, March 5, 1982.

Expedited Service in the Food Stamp Program, CED-82-59, March 15, 1982.

Information on Programs Involved in the President's Swap Proposal, CED-82-71, April 15, 1982.

(Letter Report to Senator Jesse Helms regarding S. 2352), B-207127 CED-2-174, May 3, 1982.

(Supplement to letter report to Senator Jesse Helms regarding S. 2352), B-207127 GG2-132, May 13, 1982.

(Letter report to Senator Jesse Helms regarding section 18 (a) (2) of the Food Stamp Act of 1977), B-206198, May 14, 1982.

Federal Efforts to Simplify AFDC, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures, HRD-82-78, May 18, 1982.

Federal Efforts to Simplify AFDE, Medicaid, and Food Stamp Program Requirements and Quality Control Procedures, HRD-82-72, May 18, 1983.

Food Stamp Program Application Processing Time, CED-82-87, May 21, 1982.

Use of Scrip Versus Cash in Making Change for Food Stamp Purchases, CED-82-89, May 21, 1982.

Reasons for High Food Prices in the U.S. Virgin Islands, CED-82-93, May 28, 1982.

States' Capability to Prevent or Detect Multiple Participation in the Food Stamp Program, CED-82-103, June 16, 1982.

Social Security Benefit Increases for Inflation May Leave Many Retirees Worse Off Financially, HRD-82-40, July 2, 1982.

A Summary and Comparison of the Legislative Provisions of the Block Grants Created by the 1981 Omnibus Budget Reconciliation Act, IPE-83-2, December 30, 1982.

Does AFDC Workfare Work: Information Is Not Yet Available from HHS's Demonstration Projects, IPE-83-3, January 24, 1983.

Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud, RCED-83-40, February 4, 1983.

Small Percentage of Military Families Eligible for Food Stamps, FPCD-83-25, April 19, 1983.

Federal and State Initiatives Needed to Improve Productivity and Reduce Administrative Costs of the Aid to Families with Dependent Children and Food Stamp Programs, AFMD-84-18, Februry 2, 1984.

(Letter report to Senator Jesse Helms regarding S. 1279, the Food Stamp Optional Block Grant Act of 1983), B-207127, March 28,

An Evaluation of the 1983 AFDC Changes: Initial Analyses, PEMD-84-6, April 2, 1984.

Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits, RCED-84-155, April 25, 1984.

The Management System for Identifying and Correcting Problems in the Food Stamp Program Can Work Better, RCED-84-94, May 30, 1984.

Better Wage-Matching Systems and Procedures Would Enhance Food Stamp Program Integrity, RCED-84-112, September 11, 1984.

Requests for copies of individual GAO reports can be obtained by writing:

U.S. General Accounting Office, Document Handling and Information Services Facility, Post Office Box 6015, Gaithersburg, Maryland 20760

## REGIONAL OFFICES—FOOD AND NUTRITION SERVICE

Information on specific aspects of the Food Stamp Program can be obtained from the Food and Nutrition Service of the Department of Agriculture from one of the seven regional offices. The following list outlines these offices and the States within each region:

| | |
|---|---|
| Director, Family Nutrition Programs, Northeast Regional Office, USDA, Food and Nutrition Service, 33 North Avenue, Burlington, Massachusetts 01803.<br>(617) 272-0267 | Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont, New York. |
| Director, Family Nutrition Programs, Mid-Atlantic Regional Office, USDA, Food and Nutrition Service, Mercer Corporate Park, Corporate Boulevard, CN 02150, Trenton, New Jersey 08650.<br>(609) 259-0284 | Delaware, District of Columbia, Maryland, New Jersey, Pennsylvania, Puerto Rico, Virginia, Virgin Islands, West Virginia. |
| Director, Family Nutrition Programs, Southeast Regional Office, USDA, Food and Nutrition Service, 1100 Spring Street, N.W., Room 200, Atlanta, Georgia 30367.<br>(404) 881-4911 | Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee. |
| Director, Family Nutrition Programs, Midwest Regional Office, USDA, Food and Nutrition Service, 50 East Washington, Chicago, Illinois 60602.<br>(312) 353-6673 | Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin. |
| Director, Family Nutrition Programs, Mountain Plains Regional Office, USDA, Food and Nutrition Service, 2420 West 26th Avenue, Room 430-D, Denver, Colorado 80211.<br>(303) 837-5071 | Colorado, Iowa, Kansas, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, Wyoming. |
| Director, Family Nutrition Programs, Southwest Regional Office, USDA, Food and Nutrition Service, 1100 Commerce Street, Room 5-C-30, Dallas, Texas 75242.<br>(214) 767-0214 | Arkansas, Louisiana, New Mexico, Oklahoma, Texas. |
| Director, Family Nutrition Programs, Western Regional Office, USDA, Food and Nutrition Service, 550 Kearny Street, Room 400, San Francisco, California 94108.<br>(415) 556-4956 | Alaska, American Samoa, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Trust Territory, Washington. |

# GENERAL ISSUES FOR CONSIDERATION

One of the directives of the Chairman in the preparation of this print was to identify issues on which the Congress may need to focus, both in 1985 and beyond, regarding some of the fundamental assumptions underlying the Food Stamp Program, as well as issues regarding day-to-day operations. This section of the print will focus on issues in several broad areas—nutrition and commodity purposes, participants, and comprehensive welfare reform and methods of delivery. Some of the topics raised encompass more than one issue for consideration.

## NUTRITION AND COMMODITY PURPOSES

### IMPACT ON NUTRITION

One of the most fundamental issues with regard to the Food Stamp Program is whether the current program is having the intended effect of permitting low-income households to obtain a more nutritious diet.

The Food Stamp Act states that households are to achieve such an improved—that is, more nutritious—diet "through normal channels of trade by increasing food purchasing power for all eligible households who apply for participation."

However, after more other than 20 years of operation, there are lingering questions as to whether "increasing food purchasing power" of low-income households through existing food stamp structure actually can be, or has been in practice, translated into obtaining "a more nutritious diet."

Two underlying assumptions form the basis for the program's operation. The first assumption is that food stamp benefits raise, or create new, food purchasing power—often called food expenditures—for participating families to levels higher than it otherwise would be. The second assumption, simply stated, is that greater purchasing power, or expenditures, will result in improved nutrition, and thereby better health, for participating households.

Both of these assumptions have been the topics of research since the program's inception. With regard to whether food stamp benefits increase purchasing power, most of the research was done prior to the elimination of the purchase requirement in 1979.

As noted in the history of the program, households were originally required to spend up to 30 percent of their countable income to "purchase" the larger value food stamp benefits. This "purchase requirement" was eliminated by legislation in 1977 and was finally phased out by 1979.

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Most of the studies of the program—with a purchase requirement in effect—found that overall food expenditures were somewhat increased. For an overview, see "Linkages Between Socioeconomic Characteristics, Food Expenditure Patterns, and Nutritional Status of Low-Income Households: A Critical Review," Carlton G. Davis, American Journal of Agricultural Economics, December 1982. Davis' summary of some of these studies follows:

## SELECTED EMPIRICAL STUDIES ON FOOD EXPENDITURE, NUTRITIONAL STATUS, AND SOCIOECONOMIC LINKAGES

| Study | Population | Data base and model specification | Summary statistical results | |
|---|---|---|---|---|
| | | | Food expenditure impact | Nutritional status impact |
| Madden-Yoder (1972) | Pennsylvania low-income households. | Primary survey data (1969–1970). Linear OLS regression models with continuous and discrete variables. | Bonus food stamp income nonsignificant | Bonus food stamp income negatively significant. Homemaker's age negatively significant. Frequency of income receipt negatively significant. Income positively significant. |
| Adrian-Daniel (1976) | U.S. low-income households | National food consumption survey data (USDA, 1965–66). Quadratic regression models with continuous and discrete variables. | NA [1] | Income positively significant (weakly). Residential location significant.[2] Race significant. General education of homemaker significant. Life cycle significant. Family size significant. |
| West-Price (1976) | Washington low-income households. | Primary survey data (1972–1973). Double logarithmic regression models with continuous and discrete variables. | Bonus food stamp income positively significant. School lunch positively significant. Income positively significant. Length of pay period negatively significant (weakly). | NA. |
| Neenan-Davis (1977) | Florida rural low-income households. | Primary survey data and EFNEP records (1976). Linear OLS regression models with continuous and discrete variables. | Income positively significant. Family size positively significant. Bonus food stamp income interact positively with family size. Bonus food stamp interact negatively with income. | NA. |
| Lane (1978) | California low-income households. | Primary survey data (1972–1973). Tobit models with dependent variables in regression model having a lower or upper limit. | Bonus food stamp positively significant. Commodity distribution positively significant. | Food expenditure positively significant. |
| Price-West-Scheier-Price (1978). | Washington low-income school children. | Primary survey data (1971–1973). OLS regression models with linear and nonlinear continuous and discrete variables. | NA | Household assets positively significant. School lunch positively significant. Food expenditure nonsignificant. Bonus food stamp income nonsignificant. |
| Davis-Neenan (1979) | Florida rural low-income households. | Primary survey data and EFNEP records (1976). Linear OLS regression models with continuous and discrete variables. | Bonus food stamp income positively significant. Nutrition education positively significant. | Bonus food stamp income positively significant. Nutrition education positively significant. Bonus food stamp income interact positively significant with nutrition education. Bonus food stamp income and money income not consistent across nutrients. |

## SELECTED EMPIRICAL STUDIES ON FOOD EXPENDITURE, NUTRITIONAL STATUS, AND SOCIOECONOMIC LINKAGES—Continued

| Study | Population | Data base and model specification | Summary statistical results | |
|---|---|---|---|---|
| | | | Food expenditure impact | Nutritional status impact |
| Scearce-Jensen (1979) | Southern low-income households. | National consumer expenditure survey (BLS, 1972–1974). Double logarithmic regression model with discrete variables. | NA | FSP participation positively significant. Income positively significant. Homemaker's education positively significant. |
| Salathe-Buse (1979) | U.S. households | National food consumption survey (USDA 1965–1966). OLS regression models with linear and nonlinear continuous and discrete variables. | Income significant. Residential location significant. Education level of homemaker significant. Employment status significant. Life cycle stage significant. Age-sex composition significant. | NA. |
| Gallo-Salathe-Boehm (1979) | do | National food consumption survey (BLS 1972–1974). Linear OLS regression model with continuous and discrete variables. | Age of homemaker significant. Income significant | NA. |
| Salathe (1980) | U.S. low-income households | National consumer expenditure survey (BLS 1972–1974). OLS regression model with linear and nonlinear continuous and discrete variables. | Residential location significant. Race and household composition significant. Bonus food stamp income positively significant. | NA. |
| Smallwood-Blaylock (1981) | U.S. households | National food consumption survey (USDA 1977–1978). Quadratic regression model with continuous and discrete variables. | Income positively significant. Household size positively significant. | NA. |
| Blanciforti-Green-Lane (1981) | do | National consumer expenditure survey (BLS (1972–1974). Box-Cox flexible regression model with continuous and discrete variables. | Life cycle stage significant | Life cycle stage significant. |
| Johnson-Burt-Morgan (1981) | U.S. low-income households | National food consumption survey (USDA 1977–1978). OLS regression models with linear and nonlinear continuous and discrete variables. | Income and bonus food stamp income positively significant. Residential location significant. | Bonus food stamp income positively significant. Residential location significant. |
| Davis-Moussie-Dinning-Christakis (1982). | Florida low-income households | Primary survey data (1979–1980). Double logarithmic regression models with linear and nonlinear continuous and discrete variables. | Income positively significant. Family size positively significant. FSP participation positively significant. Educational level nonsignificant. Nutritional education significant. | NA. |

| | | | | |
|---|---|---|---|---|
| Davis-Moussie-Bailey-Wagner (1982). | Florida low-income adolescents | Primary survey data (1979–1980). Linear OLS regression models with continuous and discrete variables. | NA | Income nonsignificant. FSP participation nonsignificant. Household size, homemaker's age and race nonsignificant. Homemaker's education level nonsignificant. Homemaker's nutritional education significant. Sex significant. |
| Anderson (1982) | Florida low-income elderly households. | Primary survey data (1977). Linear OLS regression models with continuous and discrete variables. | Income positively significant. Bonus food stamp income positively significant. Subsidized housing positively significant. Congregate meals negatively significant. | Food expenditure nonsignificant. Nutritional education significant. Sex significant. |
| Allen-Gadson (1982) | U.S. households | National food consumption survey (USDA 1977–1978). Double logarithmic regression models with linear and nonlinear continuous and discrete variables. | NA | Food expenditure significant. Residential location significant. Race of homemaker significant. Live cycle stage significant. Sex of homemaker significant. Education level of homemaker significant. |

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[1] NA signifies that impact has not been analyzed.
[2] Significant impact could be either positive or negative

The nature of the purchase requirement was intended to require households to increase their food purchases. A purchase price of $10, for instance, might buy additional stamps of $40, for a total of $50 in purchasing power. The assumption was that the bonus stamps were providing (new) purchasing power that otherwise was not available to the household. If, however, the family was already spending $50 on food, then no real increase was taking place, unless the family continued to spend for food at previous levels, or some portion thereof, in addition to its purchase requirement.

The importance of this alternative scenario—that there are no increased food purchases—is that the amount of money previously spent on food (now replaced by food stamps) is being diverted to other, nonfood purposes. The net result in such a situation is an income transfer function rather than a nutrition focus.

The purchase requirement was an imperfect method for encouraging increased food expenditures. It was assumed that by requiring some portion of the household's income to be spent for the purchase requirement, the program ensured that at least that amount (the purchase requirement) was being designated for food. Even under the purchase requirement system, however, it was possible for there to be substitution of the household's preparticipation dollars by virtue of the bonus value provided by the federally subsidized portion of food stamp benefits. In the case of the Food Stamp Program, substitution occurs when the household is able to divert dollars previously spent on food to other, nonfood purposes.

Under the purchase requirement system, households spent money to obtain a greater amount of food stamps. The following table outlines three hypothetical outcomes for households under a purchase requirement system assuming a 30-percent household contribution.

| | Family 1 | Family 2 | Family 3 |
|---|---|---|---|
| Category: | | | |
| Food expenditures (prior to participation) | $90 | $264 | $180 |
| Gross income | 500 | 500 | 500 |
| Deductions | −200 | −200 | −200 |
| Net food stamp income | 300 | 300 | 300 |
| Food stamp allotment | 264 | 264 | 264 |
| Purchase requirement | 90 | 90 | 90 |
| Food purchases | +174 | 0 | +84 |
| Freed income | 0 | +174 | +90 |

Upon being eligible to participate in the Food Stamp Program, all three households were required to spend $90 to purchase food stamps having a value of $264. Since the first family was already spending $90 on food, the total value of bonus food stamps supported increased food purchases of $84. Since family two was already spending $264 on food, paying $90 for food stamps worth $264 allowed the family to free up $174 for other purposes in the family budget. Family three provided a mixture of impact. By purchasing food stamps worth $264 at a cost of $90, the family increased its food purchases by $84 ($264–$180) and still freed up $90 for other expenditures ($180–$90).

With the elimination of the purchase requirement, households no longer paid money (the purchase requirement) for the higher value of coupons. Rather, the difference between 30 percent of countable income (in essence, the old purchase requirement) and the maximum thrifty food plan (the old allotment) was to be given directly to recipients. In the preceding example, families would be given $174 per month without any purchase requirement. Households would be expected to provide from their own cash resources an additional $90 to make a total of $264, the full value of the thrifty food plan. However, there is no longer any assurance that the total amount ($264) will be spent on food. Rather some portion can now be diverted to other, nonfood purposes.

Since the elimination of the purchase requirement the substitution problem has been exacerbated by the increasing likelihood of substitution not only for the bonus value (which also existed under the previous program), but also because the absence of the purchase requirement (which served as a minimal requirement for some of the household's income to be spent on food).

A general finding in earlier studies had been that increased purchasing power was strongest among the lowest income households. However, this finding weakened among food stamp recipients with progressively higher incomes because the proportion of income spent on food declines with rising income even among low-income households.

The elimination of the purchase requirement has been largely attributed to be the single greatest cause for the rapid expansion of both the cost and participation of the Food Stamp Program. The program is now widely viewed as providing free food stamps. The Congressional Budget Office has estimated that 70 to 80 percent of the growth in the program between 1979 and 1981 can be attributed to the elimination of the purchase requirement. The annual expenditures for fiscal years 1977 and 1978 (not including Puerto Rico) were $4.4 billion. In subsequent years, comparable figures increased dramatically to $5.7 billion in fiscal year 1979, $7.8 billion in fiscal year 1980 and $9.7 billion in fiscal year 1981.

Since the elimination of the purchase requirement, the program has come to be more of an income transfer program inasmuch as free food stamps are now more likely to be used to purchase food that would have been purchased by other money, thus more likely freeing up some of this money for other, nonfood expenditures. As an example, if a household which was, as in the earlier discussion, already spending $50 a month for food, receives $20 in food stamps, the household may now decide to spend only $30 in cash for food purchases, so that its total food outlay remains at $50, or the family may decide to spend $70, or some portion above its previous $50 in total outlays, on food. The objective of increasing overall food expenditures was the original, desired intent of the Food Stamp Program. The fact that money previously spent on food purchases may be availble for other discretionary spending because of free food stamps is the factor that causes the modern program to be viewed as having an income transfer function rather than a nutrition purpose.

When the purchase requirement was in effect, a household received an amount of stamps equal to the full value of the thrifty food plan by paying in cash up to 30 percent of its net income. Since the household then received stamps worth the full amount of the thrifty food plan, all households who received stamps could spend at least this amount on food. However, after the elimination of the purchase requirement, a family would receive in stamps the difference between the full value of the thrifty food plan and 30 percent of its net income. Not only does the household not have to put up any cash, it no longer was obliged to spend the full value of the thrifty food plan. Rather, it may now spend only the amount of the food stamp allotment, which, for most households (because they have income), is less than the full value of the thrifty food plan.

The Congressional Budget Office noted in 1980 that increased food stamp participation seemed to have occurred because during inflationary times:

> * * * Low and lower-middle income families choose to reallocate their limited incomes so as to select those commodities which are subsidized and thereby continue to maintain their real purchasing power in the nonsubsidized goods. Since the elimination of the purchase requirement, the Food Stamp Program has been more of a direct income transfer program, directly substitutable for nonfood purchases. Hence, the propensity to participate in the program increases with relatively high rates of inflation in nonfood, but still basic items.

While this tendency is accentuated in highly inflationary times (such as those immediately following the removal of the purchase requirement), it may be a contributing factor even with the modest inflation of more recent years.

The Congressional Budget Office also analyzed the effect of reinstating the purchase requirement:

> It is not possible to accurately assess the impact of reinstating the purchase requirement on the nutritional status of food stamp households. It is generally agreed, however, that a Food Stamp Program containing a purchase requirement is likely to be more effective in increasing food purchases per dollar distributed among participants than one without such a requirement.
>
> * * * Reestablishing the purchase requirement would decrease substitution, and increase the effectiveness of the transfer in increasing food purchases. It still remains unclear if increased food purchases, however, means improved nutritional status. (August 1, 1980, memorandum.)

The General Accounting Office has also substantiated the impact of eliminating the purchase requirement:

> The program effect was that the Food Stamp Program no longer served to require households to set aside sufficient resources to be able to obtain nutritious diets. It became an effort to supplement family income in the hope that households would wisely use enough nonfood coupon resources for food. It also was responsible for the large influx of households into the program and the resulting steep escalation of program costs.
>
> In addition to empasizing the Food Stamp Program as a nutrition program rather than in income supplement program, reinstatement of the purchase requirement could be expected to help control and possibly reduce program costs to the extent that households would drop out of the program or would be discouraged from participating. (April 29, 1981 letter.)

With the elimination of the purchase requirement, there is no longer any guarantee that recipients will spend any of their own money (cash) on food. Thus, there is no assurance that participating households are purchasing (with food stamps or cash) as much food as they were prior to the elimination of the purchase requirement relative to income.

It should be noted that it is difficult to measure the precise extent of the substitution effect. The concern is that households in the post-purchase requirement system are no longer required to spend as much of their incomes on food. However, information from food consumption surveys indicates that some low-income families, including food stamp recipients, may spend more than the value of the thrifty food plan. Some USDA surveys have been interpreted as showing food stamp households more apt to achieve recommended dietary allowances than nonparticipating families.

The second assumption underlying the operation of the Food Stamp Program is that increased purchasing power would, indeed, translate into better nutrition. This is an assumption that has been much debated before, and even more so after, the elimination of the purchase requirement.

This almost intuitive assumption has been that more purchases of food will mean more, and better, nutrition—that is, that increases in food expenditures will almost automatically improve nutritional status. However, studies have varied a great deal in assessing the validity of this assumption. As CBO noted, "It still remains unclear if increased food purchases, however, means improved nutritional status." Concerns have been expressed that the increased purchasing power provided by the Food Stamp Program may be used for more expensive or convenient foods (though not necessarily more nutritious) greater quantities of the same foods which had previously been purchased (but which may not improve nutrition), and, potentially, that even less nutritious foods will be purchased with what is now viewed as discretionary income. (These concerns are also expressed by taxpayers who describe seeing what they regard as poor food selection—frequently described as purchasing more expensive cuts of meat than I can afford or buying junk foods—being made by food stamp recipients in retail grocery stores.)

A fundamental presumption of the program—as stated in the statute—is that limited income is a constraint on access to good nutrition. However, if this central tenet is not correct, then there is no reason to expect much of an increase in nutrition as income goes up, including the in-kind income provided by food stamp benefits.

Interpretations of food expenditure survey data maintained by the Department of Agriculture vary as to whether food stamp recipients are typically prudent in making wise, nutritious food selections, and particularly about whether their purchasing habits are any more nutritious than nonparticipating families of similar income.

Other factors, reported in studies, which may influence significantly the degree of improved nutrition are:

The level of nutritional knowledge of participants;
Educational level of the homemaker;
Residential location of the household and access to transportation;
Race; and
Sex.

Even if one assumes that increased food purchases will result in improved nutrition (the second assumption), the lack of confirmed evidence about whether, or how much, food stamps increase food purchases (the first assumption) brings into serious question the nutritional efficacy of the Food Stamp Program, especially since the elimination of the purchase requirement.

A related issue concerning the nutritional purpose of the program focuses on the deductions used in the program. In some ways the existing deductions, like the elimination of the purchase requirement, may result in a subsidy to households for nonfood needs. Since food stamp benefits are based on net, countable income, the greater the amount of deductions available to a household, the less countable income will be attributed to the household—and the greater will be the food stamp benefit.

This substitution effect is particularly true for the specialized deductions—earned income, excess shelter, dependent care, and medical expenses.

The exclusion of large portions of income (by use of the deductions) in determining benefit levels, serves to free up even more income which can be used for nonfood purposes. In essence, the greater the number and amount of deductions, the less of a food purchasing or nutrition, focus the program has, and the more of a general income supplement it may become.

A corollary issue is what form actual monthly benefits should take. Currently, most food stamp benefits are provided in the form of food stamp coupons, which are used like vouchers in retail grocery stores. However, for some households, benefits are provided in cash. In certain States, Supplemental Security Income [SSI] recipients receive a cash addition to their monthly SSI benefits in lieu of receiving food stamps. In Puerto Rico, under the block grant system, the government there decided to provide benefits in the form of cash, that is, a monthly check.

Debate surrounds whether households use cash for food purchases to the same extent that they currently use food stamp coupons for food purchases. Some studies have concluded that there is little or no difference in food purchases among those who receive cash in lieu of food stamp coupons compared with recipients who use coupons. As noted earlier, studies differ but increasingly conclude that there is little increased purchasing power from free food stamps and similarly little increased purchasing power from using cash in lieu of food stamps.

Some would argue that inasmuch as food stamp coupons under a free Food Stamp Program may not increase food purchases at all or very little, the program might as well provide cash since to do so would potentially reduce administrative costs associated with the existing coupon system, thus slightly reducing the costs to taxpayers.

Additionally, some argue that a direct cash payment is preferable to an in-kind subsidy (such as food stamp coupons) from the recipient's perspective because it permits greater discretion for the recipient. Indeed, some have urged cash assistance as a substitute for several in-kind programs as a form of "guaranteed annual income" program for low-income individuals.

However, concerns have been expressed that a cash system (under which participation might be more attractive to recipients) might result in dramatically increased benefit costs. The Puerto

Rico cash system has not incurred this problem because of the overall ceiling ($825 million annually) on the Nutrition Assistance Program. Open-ended, or entitlement, funding—as is the current practice in the regular program—could result in significantly increased Federal expenditures if there were no ceiling on a cashout system among the States or unless eligibility ceilings were lowered.

### REMOVAL OF SURPLUS COMMODITIES

The interrelationships between the Food Stamp Program, commodity surpluses, farm price supports, and food prices will likely be important considerations during the 1985 reauthorization of Federal farm programs and the Food Stamp Program.

One of the declarations of policy in the Food Stamp Act of 1977 states:

> Congress further finds that increased utilization of food in establishing and maintaining adequate national levels of nutrition will promote the distribution in a beneficial manner of the Nation's agricultural abundance and will strengthen the Nation's agricultural economy, as well as result in more orderly marketing and distribution of foods.

The impact of a Food Stamp Program in lowering commodity surpluses has been one of the cornerstones for the establishment of the Roosevelt-era Food Stamp Program (1939–43) and one of the reasons frequently emphasized in the later attempts to establish a program and, since establishment, for its continuation. Indeed, in many of the debates surrounding the establishment of the program, the desire to reduce agricultural surpluses—particularly those owned by the Federal Government—has been the predominant reason for establishing a mechanism, the Food Stamp Program, for lowering such surpluses.

Commodity surpluses are viewed negatively from an agricultural perspective because of their downward impact on commodity prices, lowering general farm income and increasing Government expenditures. The Department of Agriculture uses three principal methods of supporting farm prices: (1) nonrecourse loans to farmers, (2) supply control programs, and (3) Government purchases of commodities. In the case of nonrecourse loans, price-supported commodities are acquired by the Commodity Credit Corporation (CCC) when a farmer forfeits the crop used as collateral for the loan (generally when market prices are below the level of the loan plus accured interest). The following are commodities which are "price supported" through nonrecourse loans and which may be acquired by the CCC: wheat, rice, barley, corn, grain sorghum, oats, rye, soybeans, honey, upland and extra long staple cotton, peanuts, tobacco, and sugar.

The second method, production control and supply management programs, come in many varied forms. For major food and feed grain crops such as wheat and corn they take the form of voluntary acreage reductions. For other commodities they take the form of marketing orders that limit sales such as is the case for oranges and lemons. The other major form of supply control is through acreage allotments and marketing quotas that limit the total production that may be marketed such as is the case for tobacco. The current dairy diversion program discourages production by offering cash incentives to farmers willing to reduce production.

Government price support programs (for commodities) and direct purchases (for milk) result in Federal expenditures which sometimes are criticized by those who think the Federal Government pays too much to farmers for these supports.

For these reasons, the agricultural community and Government are generally anxious to avoid surpluses and especially to avoid the need for the Governmnent to acquire those surpluses.

Under the Roosevelt Food Stamp Program, the federally subsidized portion could be used to purchase only products that were in surplus. Monthly notices would be posted at the grocery store to inform participants of which commodities were in surplus that month and, therefore, were eligible to be purchased with the blue, or bonus, stamps. Under such a system, it was possible that there was some reduction in surpluses in those commodities through increased purchases in grocery stores. The national surplus reduction is limited, however, by the fact that households may simply buy the same amount of a particular commodity, but use the blue (bonus) stamps rather than the orange ones which represent their own contribution (the purchase requirement). In other words, the bonus purchases may simply "displace" or substitute for purchases that otherwise would be made with the household's regular food dollars.

This "commodity specific" approach of the Roosevelt era was not replicated in the implementation of the modern Food Stamp Program, first as a pilot project in 1961 and subsequently by legislation in 1964. Therefore, the possibilities to affect surpluses were reduced even more.

The current program's connection in removing Government-owned surpluses is further weakened by the ability of food stamp recipients to purchase products for which there is no Federal price support program (such as potatoes and other vegetables).

The connection is totally lost with the ability of food stamp recipients to buy imported foods, such as certain meats, coffee and tea.

As noted in an earlier discussion on nutrition, the removal of the purchase requirement has lessened, possibly eliminated, any assurance that the Food Stamp Program will increase food purchases above what they otherwise would be. Similarly, the connection to commodity surpluses, is weakened or eliminated.

The Food Stamp Program since the mid-1960's has been linked to agricultural interests in at least two ways. As outlined above, many farmers and legislators from farm areas have been persuaded that food stamp benefits increase food purchases, thereby reducing surpluses, causing agricultural commodity prices to be higher, and, in the long term, profiting farmers. The question arises, however, as to whether whatever marginal increase occurs, if any, is worth the expense of the Food Stamp Program.

In addition to the interest of producers (that is farmers), the food marketing industry (that is, manufacturers of food products and retail stores) have become interested because of the same perceived increase in food expenditures by virtue of the Food Stamp Program.

Food stamp purchases (approximately $12 billion) constitute about 2.7 percent of retail food sales (total volume of which was about $320 billion in 1984). The impact on the farm economy, however, is considerably less—representing about 1.16 percent. However, the percentage attributable to new food purchases as a result of the program would be even less both at the retail store and on the farm economy.

Second, the Food Stamp Program has been used in legislative strategy to entice urban legislators who might not otherwise support costly farm price support programs to do so in exchange for rural support for the Food Stamp Program favored by urban legislators. This strategy, first devised by President Lyndon B. Johnson, has been standard operating procedure from the late 1960's through the food stamp reauthorization in 1981.

In the first instance, it is not clear that there is a definite, positive connection between the Food Stamp Program and a significant reduction in surpluses or otherwise improving farm income. Second, some now feel that the legislative quid pro quo is too high a price to pay—for all consumers. Government price support programs for agricultural commodities result in Federal expenditures which sometimes are criticized by those who think the Federal Government pays too much to farmers for these supports. Additionally, they argue that price supports and other supports and other commodity programs (such as marketing orders) result in artificially high food prices. As an example of this latter view, the President's Task Force on Food Assistance commented in its January 18, 1984 report: "We believe low-income households could benefit substantially from a reduction in the prices for agricultural goods mandated by the price support programs."

### ADEQUACY OF FOOD STAMP BENEFITS; PROGRAM COSTS

One issue which arises in discussing food stamp benefits is the adequancy of the monthly benefit for households participating in the program. Are benefits sufficient? Are they insufficient? Are they overly generous? In analyzing these questions, several factors should be considered.

Adequacy can be addressed at two levels—the thrifty food plan which is the underlying basis for monthly food stamp allotments and the actual monthly benefits that are issued to recipients.

With regard to the second issue—actual monthly benefits—it should be emphasized that except for a small group of recipients (less than 20 percent) who receive the maximum food stamp allotment for their household size, food stamp benefits are not intended to provide for all of the household's food needs. Among most households, food stamp benefits serve as a supplement to regular food purchases, and, since the elimination of the purchase requirement, have never been intended to supply all of the household's monthly food needs.

Since the elimination of the purchase requirement, an underlying principle in the program has been that participating households are expected to spend 30 percent of their net income—that is, income after certain deductions—for food. Food stamp benefits are designed to make up the difference between that amount and the amount needed for a low-cost adequate diet based on the thrifty food plan. Presumably, the household is spending 30 percent of its countable income for additional food purchases so that the entire amount of food purchased—with coupons and with cash—will equal the thrifty food plan.

The supplemental nature of the present program can be seen in the accompanying table. The table outlines the latest distribution of benefits received as a percentage of the maximum thrifty food plan allotment.

*Distribution of food stamp households by benefit received as percent of maximum thrifty food plan allotment (August 1982)*

[Percent of households]

| Benefit: | |
|---|---|
| Minimum $10 benefit | 7.55 |
| 0 to 25 percent of thrifty food plan | 7.86 |
| 26 to 50 percent of thrifty food plan | 19.71 |
| 51 to 75 percent of thrifty food plan | 27.11 |
| 76 to 100 percent of thrifty food plan | 37.47 |
| Above 100 percent | 0.29 |

Source: U.S. Department of Agriculture.

Additionally, monthly food stamp benefits are predicated on being sufficient to obtain a low-cost nutritious diet. Food stamp recipients of any income level obviously may not have enough to last the month if they do not shop for food and prepare meals prudently.

It should also be remembered that the Food Stamp Program is intended to provide for food for human consumption, not for any additional products that are for sale in retail grocery stores.

As described earlier, one of the considerations in the development of the thrifty food plan is food choices made by low-income households as reflected in periodic food consumption surveys. The plan specifies the amounts of foods of different food groups that households might use to provide nutritious meals and snacks for household members. It is the least costly of the four family food plans devised by the Department of Agriculture. Benefit allotments for smaller size households are based on the thrifty food plan for a household size of four plus some percentage for an assumption that smaller size households need larger benefits per person. For instance, one-person households receive an allotment based on one-fourth of the four-person allotment plus 20 percent; a two-person household is based on one-half of the four-person household plus 10 percent.

The Department formulates a thrifty food plan for various individuals which is both age and sex specific. Typical diets are suggested for men, women, and children of different ages.

However, while the thrifty food plan is initially very specific, its use in the Food Stamp Program is based on a fixed family of four; calculations are based on a family consisting of a man age 20 to 54, a woman of the same age, and two children, ages 6 to 8 and 9 to 11.

Because actual food stamp recipient households may not be of the same age or sex composition as this fixed household, they may receive too few or too many actual food stamp benefits (when compared to specific age and sex characteristics). Prior to the revision of the thrifty food plan in 1983, USDA studies showed that allotments based on the legislatively established four-person household exceeded the sex and age specific thrifty food plan cost for 75 percent of actual food stamp households. Both the General Accounting Office and the Grace Commission have noted this anomoly and have provided different recommendations for correcting it.

Additionally, the Grace Commission has noted that differences in household size may also result in too many or too few benefits. Similarly larger households receive benefits based on the thrifty food plan for household size which is reduced because of perceived economies of scale. The Grace Commission recommended changing the existing economy-of-scale factors so that benefits are reduced for smaller size households and increased for larger households.

A person who follows the dietary pattern suggested by the thrifty food plan will consume sufficient calories and more than sufficient quantities of most necessary nutrients.

Some research indicates significant variations in the degree to which the existing Food Stamp Program meets the actual food needs of recipients. Those households most likely to receive more than their age and sex specific criteria would recommend are predominantly households with elderly recipients, women, and children. The costs for these individuals is typically lower than under the existing format using the standard four-person household. Inasmuch as most participating households do not contain a man aged 20 to 54, the actual benefits tend to exceed the age-sex specific requirements.

Additionally, the impact of changing the economies of scale factors, as recommended by the Grace Commission, negatively affects many elderly households who are typically in smaller—often one- and two-person—households. Thus while some specific research indicates that these households receive too many benefits, they are the very households which, politically, Congress has been most apt to protect. Households with men, and particularly with teenage boys, are those which may be receiving inadequate benefits under the existing method.

Another aspect of the adequacy of benefits discussion involves the degree of participation in other Federal assistance programs. For instance, many households have individual members who participate in other food assistance programs such as the School Lunch and School Breakfast Programs, the Special Supplemental Food Program for Women, Infants and Children [WIC], Child Care Food Program, Summer Food Service Program, elderly feeding programs. Additionally, a portion of AFDC, SSI, and Social Security benefits are generally regarded as providing money for food purchases. Interestingly, it is generally the same households who receive more than their specific age-sex food requirements who are the most likely to be participating in other programs. A further discussion of multiple participation is included in the subsequent discussion of target population and comprehensive welfare reform.

Additionally, current thrifty food plan allotments are nationally uniform. Yet food prices vary between and within States. The early program recognized this by providing two allotment schedules—one for southern States and one for northern and western States. Separate allotments for Alaska, Hawaii, Guam, and the Virgin Islands currently recognize the most extreme differences today.

## INDEXING

A related issue is that of indexing of various aspects of the Food Stamp Program. Much of the growth in the cost of the program has occurred because of the automatic indexing of food stamp benefits. Currently indexing is done annually. Since indexing was first begun in 1971, indexing has been done annually or semiannually (except during fiscal year 1982). According to the Library of Congress approximately 50 percent of the program's increased cost since 1971 has been the result of indexing.

Several issues arise with regard to indexing. One is what is the most appropriate standard for indexing. Currently food stamp benefits are indexed every year based on changes in the cost of the thrifty food plan. These changes are based on the price of food at home, one of the components of the Consumer Price Index maintained by the Department of Labor. It has been estimated that over one-third of all Federal expenditures are in some way linked to the CPI or related price measures.

In its relatively short history, indexing in any program has been used as an attempt to stabilize the level and coverage of benefits against the effect of rising prices. During highly inflationary times, indexing helps program recipients "keep pace" with inflation. In the Food Stamp Program, without indexation, rising prices would reduce the purchasing power of food stamp benefits (and make eligibility criteria, which are also indexed, increasingly restrictive). One of the legislative reasons Congress has favored indexing is because failure to increase program benefits automatically (via indexing) invariably resulted in ad hoc legislation to increase program benefits, often individually on a program-by-program basis. (See "Indexing with the CPI: Problems and Alternatives," Congressional Budget Office, June 1981).

Some have argued that indexing of many Federal programs should not be on the basis of prices, but rather on the basis of wages. For instance, it is argued that under the present indexing system, food stamp recipients, and other welfare recipients, may become better off relative to working taxpayers. In periods of declining, or even stagnant, real wages, the present system leads to program beneficiaries receiving better protection against rising prices than the working, taxpaying population.

A change to a wage-based form in indexation could result in program beneficiaries sharing in the burden of economic setbacks such as slowed productivity growth, high import prices, and agricultural shortfalls where they result in wages growing more slowly than prices.

The change to a wage-based measure with regard to benefit levels, for instance, would transfer the rationale for indexation from changes in the cost of food to changes in the ability of taxpayers to afford increases in food costs.

In periods when wages are increasing faster than inflation, such as during 1984, an alternative method would be to establish indexing at the lower of either food price inflation or wages—a so-called "switching" standard of indexation.

A change to the switching standards of indexation of benefits, for instance, could result in a gradual lowering of the real value of benefits, by allowing inflated prices to diminish the value of monthly assistance over time.

Part of the rationale for either of these approaches, it has been argued, is that it would make welfare dependency, in this case food stamp dependency, less attractive, and would, through economic incentives, encourage recipients to seek employment. However, such an objective may be limited to those who are physically able to pursue employment.

An alternative application of these approaches would be not to permit any indexation in food stamp benefits, thus allowing participation to become less and less attractive more rapidly as the purchasing power of the benefits is eroded over time.

Additional indexing issues in the Food Stamp Program concerns the indexing of deductions within the program and the indexing of income eligibility.

Indexing of deductions contributes to increasing the level of benefits (and corresponding Federal costs) by increasing the amount of recipient income excluded in the determination of household benefit levels. In essence, the household receives a double indexation by virtue of the simultaneous increase (each October) in both the value of the thrifty food plan (the benefit allotment) and the value of the deductions (the standard and excess shelter/dependent care).

Indexing of the eligibility level (the gross income ceiling) on any basis other than wages results in an ever larger pool of eligible recipients when inflation rises higher than wage increases. Such has been the phenomenon of the present Food Stamp Program.

All three factors of indexing provide for wider eligibility and greater benefit levels, making the Food Stamp Program more and more attractive to get on, and, possibly, to stay on.

## Participants

### TARGET POPULATION

The declaration of policy of the Food Stamp Act includes the following statement:

> It is hereby declared to be the policy of Congress, in order to promote the general welfare, to safeguard the health and well-being of the Nation's population by raising levels of nutrition among low-income households. Congress hereby finds that the limited food purchasing power of low-income households contributes to hunger and malnutrition among members of such households.

At the most fundamental level, questions arise as to whether, in the United States, "low income" is indeed synonymous with poor nutrition—indeed with, as the statute describes it, "hunger and malnutrition". In other words, is nutritional status a function of income?

As noted in the discussion of the impact of the existing program on nutrition, it is a debatable issue as to whether the Food Stamp Program improves the nutritional status of recipients. Similarly, some have called into question the fundamental assumption that low-income families automatically have poor nutrition, and especially that they have poorer nutritional health than similarly situated low-income families who do participate in the Food Stamp

Program. Perhaps some perceived nutritional improvements of participating households are the result of other factors.

Should food stamp recipients be subject to some physical examination to determine their eligibility for the Food Stamp Program, rather than being required only to pass an income test?

The Special Supplemental Food Program for Women, Infants, and Children [WIC], for instance, requires that all participants be certified as "at nutritional risk" as determined by a competent professional authority, such as a physician, nutritionist, nurse, or other medically trained health official. Nutritional risk for the WIC Program is defined as "(A) detrimental or abnormal nutritional conditions detectable by biochemical or anthropometric measurements, (B) other documented nutritionally related medical conditions, (C) dietary deficiencies that impair or endanger health, or (D) conditions that predispose persons to inadequate nutritional patterns or nutritionally related medical conditions, including, but not limited to, alcoholism and drug addition." (Sec. 17(b)(8), Child Nutrition Act of 1966.)

In the WIC Program, this "nutritional risk" test is in addition to an income eligibility test. The application of a nutritional risk test to the Food Stamp Program would involve considerably more individuals. There are currently an average of 3 million WIC participants monthly and 21 million food stamp recipients.

Another consideration, in lieu of a nutritional risk determination or in addition to one, is what is the appropriate income ceiling for "low-income" participation. The current gross income ceiling established is 130 percent of the poverty guidelines for households not containing an elderly or disabled member—now $13,260 per year for a family of four. Households with elderly and disabled members are not subject to the gross income ceiling, but must have net incomes below the poverty line.

Is 130 percent of the poverty line an appropriate ceiling? Statistics from the Department of Agriculture indicate that 95 percent of all participants are at or below 100 percent of the poverty line while they participated in the program. Using an annual definition of income (as done by the Bureau of the Census), 72 percent of food stamp households are below poverty. Further targeting, based on income, could be achieved by further lowering the income eligibility ceiling or by lengthening the accounting period used to determine eligibility.

Should the ceiling for elderly and disabled be lowered? Should it be consistent with the ceiling applied to other food stamp households? With regard to elderly households, what it the appropriate age limit to be considered as "elderly"? The Food Stamp Program defines such individuals as those age 60 and over. Other Federal assistance programs, most notably Social Security and Medicare, define eligible elderly participants as those age 65 and over. Should there be consistent eligibility age criteria between the Food Stamp Program and other Federal programs?

Additionally, administrative difficulties frequently have been cited by eligibility workers because of the proliferation of separate rules (eligibility criteria, deductions schedules, et cetera) that apply to elderly and disabled households. Should these be consolidated in some way? Congress has shown consistent intent to provide special consideration for these recipients. At the same time, participation data now indicate that these recipients are better off relative to other participating households. They more typically own their own houses, have higher household income, and so forth.

### MULTIPLE PARTICIPATION

Another issue for consideration may be to what degree the Food Stamp Program should be coordinated with other programs also providing nutrition assistance.

Currently food stamp benefits are allotted without regard to the recipient's participation in any other nutrition assistance program. Families may be eligible for, or receiving, surplus commodities and WIC benefits, and children may be receiving meals through the School Lunch, School Breakfast, Child Care Food, or Summer Food Service Programs, or any combination of these. Such participation does not affect the eligibility of the family or the benefit levels they may receive under the Food Stamp Program. Similarly, neither eligibility nor benefit levels for these other programs are influenced by whether the family receives food stamp benefits.

Each of these programs was established separately in the period between 1946 (with the establishment of the National School Lunch Program) and 1972 (with the initiation of the Special Supplemental Food Program for Women, Infants, and Children, WIC). In the Senate, all the programs are within the jurisdiction of the Committee on Agriculture, Nutrition, and Forestry. In the House, however, only the Food Stamp Program is within the jurisdiction of the Agriculture Committee. The child nutrition programs are within the jurisdiction of the Committee on Education and Labor. Other welfare programs, such as AFDC and SSI, are within the jurisdiction of the Senate Finance Committee and the House Ways and Means Committee. Thus, to some extent the proliferation of programs with similar aims of helping poor families with nutrition or other needs is a result of diverse committee jurisdictions. Indeed, all attempts at "comprehensive welfare reform" have encountered difficulties in achieving legislative consolidation of these programs. Others argue that each program serves a specific purpose, and that, to the extent that there is any "duplication", groups which are especially vulnerable—typically identified as women, children, and the elderly—are the ones to benefit, intentionally, from the various programs.

The Food Stamp Program does take account of cash assistance provided to households, such as AFDC—a portion of which is often designated for food assistance. Such income is counted, along with most other cash income, in determining eligibility and benefit levels.

Food stamp benefits are calculated on the assumption that all household members eat three meals daily at home, or at least meals prepared at home. However, as noted above, recipients are eligible for, and may be receiving, subsidized meals through an array of other Federal nutrition programs. This point has been made by the General Accounting Office, the Congressional Budget Office, and, most recently, the Grace Commission.

Some individuals, particularly children from households with gross incomes below 130 percent of the poverty line, may be eligible for as many as six separate Federal programs. The age of children and the income level of their families are the primary determinants of the number of programs in which a family may be eligible to participate. The following table outlines the maximum possibilities for nutritional assistance under several income poverty standards existing in the current program.

POSSIBILITIES FOR MULTIPLE PARTICIPATION IN EXISTING NUTRITION PROGRAMS

| | FSP | WIC | CCFP | SBP | NSLP | SFS | SMP[1] |
|---|---|---|---|---|---|---|---|
| At or below 130 percent of poverty: | | | | | | | |
| Adult | X | | | | | | |
| Pregnant or lactating mothers only | | X | | | | | |
| Children 5 and under | X | X | X | | | X | X |
| Children 5 to 12 | X | | X | X | X | X | X |
| Children 12 to 18 | X | | | X | X | X | X |
| Between 130 and 185 percent of poverty: | | | | | | | |
| Adult | (2) | | | | | | |
| Pregnant or lactating mothers only | | X | | | | | |
| Children 5 and under | | X | X | | | X | X |
| Children 5 to 12 | | | X | X | X | X | X |
| Children 12 to 18 | | | | X | X | X | X |
| Above 185 percent of poverty: | | | | | | | |
| Adult | (2) | | | | | | |
| Pregnant or lactating mothers only | | | | | | | |
| Children 5 and under | | | X | | | X | X |
| Children 5 to 12 | | | X | X | X | X | X |
| Children 12 to 18 | | | | X | X | X | X |

[1] Institutions may not participate in both the special milk program and other meal service programs. It is possible, however, that a child under age 12 could participate in special milk at school and then receive assistance from the child care food program after school when snacks are provided, or before school with a breakfast.

[2] Some elderly and disabled adults may have gross incomes above 130 percent of proverty and would be eligible because of the higher income ceilings which apply for households containing such individuals.

Note: FSP—Food stamp program. WIC—Special supplemental food program for women, infants, and children. CCFP—Child care food program. SBP—School breakfast program. NSLP—National school lunch program. SFS—Summer food program. SMP—Special milk program.

For instance, there is no restriction preventing school children in a family from participating in one or both school meal service programs even if the family receives food stamps. For students whose families receive both food stamps and free school lunches, the Federal Government partially subsidizes four rather than three meals each school day. Indeed, the estimate from the Department of Agriculture is that approximately 35 to 44 percent of all food stamp households contain students who participate in the school lunch program, or conversely, that about 62 percent of the children receiving free lunches are from families also receiving food stamp benefits.

Proposals have been made to take account of these other benefits in determining food stamp benefits or, conversely, to count food stamp benefits as income in determining eligibility for other nutrition programs. This latter method would cause multiple-benefit households to be moved into higher income groups, and, therefore eligibility for Federal child nutrition subsidies, particularly free- and reduced-price meals, would be reduced. Such proposals, it is argued, would better target limited Federal nutrition dollars by eliminating duplicate Federal subsidies for the same meals.

At a time of increasing concern about the overall level of Federal expenditures and the consequent Federal deficits, increasing attention may be attached to the issue of multiple program participation.

The issue of multiple participation is particularly relevant to the issue of targeting. Scarce Federal dollars may be more appropriately targeted to those who are not participating in other Federal food or nutrition programs, thereby maximizing the expenditures in each individual program.

A related way of handling the multiple participation issue may be to consolidate existing Federal programs. Such a consolidated grant program may or may not be reduced to account for existing levels of multiple participation. The option to consolidate existing programs was proposed by the President's Task Force on Food Assistance. States would be permitted then to establish eligibility criteria for nutrition programs, and could determine whether to maintain separate programs (at the State level) or whether to consolidate these programs. Whether to take into account participation in other programs or not would then be a State decision.

A related issue is that of the treatment of in-kind benefits. As noted previously, cash income, including welfare payments and unemployment compensation, are counted as income in determining food stamp eligibility. However, in addition to excluding the value of other nutrition benefits—WIC, school lunches, et cetera—the Food Stamp Program excludes the value of many other Federal programs as well. Predominantly, these excluded programs do not furnish cash assistance, but rather provide in-kind benefits, such as housing or rent subsidies, energy assistance, medical care, et cetera.

With regard to the in-kind issue, a related question of equity arises. Households similarly situated can have very different treatment under the current program. Households in which subsidies are provided indirectly (in-kind)—for instance, through the provision of public housing—are made better off in the Food Stamp Program than households who receive cash aid for the same purposes—for instance, through a direct cash payment for rent. The second household, under the current rules, has more income and receives less benefits than does the first household which received its housing assistance in-kind.

Counting in-kind benefits as income would treat both types of households equally. This issue is likely to be of increasing concern based on the proliferation of in-kind subsidies that can be provided—at the Federal, State, and local level. (Another means of addressing the overall issue would be to count the value of food stamp benefits as income in the other programs.)

It has been suggested that the exclusion of these in-kind benefits in determining eligibility in each program results in a cumulative understatement of a family's true circumstances. Some welfare families, it is suggested, are able to pyramid various cash and in-kind benefits to such an extent that their overall circumstances are quite good, especially when compared to other low-income working families who do not receive such aid, but who pay taxes which support these programs.

In addition to looking at the whole of nutrition assistance, policymakers may need to focus on the whole array of public assistance programs—Federal, State, and local. Often, program changes are legislated in one program while conflicting policy changes are made in similar, or related programs. Attention should be paid to the whole range of benefits available to low-income households. For households with earnings, this overview might include the impact of tax law changes and the consolidated effect on promotion of employment opportunities and incentives for low-income families.

### LONG-TERM AID VERSUS SHORT-TERM EMERGENCY ASSISTANCE

Another issue that has been raised is whether the Food Stamp Program been used primarily as emergency assistance to households in temporary need or as a regular, ongoing source of assistance to families who participate over many months, or even years? A second consideration is which role, or appropriate combination should the program be filling?

There is little hard information on the turnover rate in Food Stamp Program participation. The Department of Agriculture has not collected information on individual program participation histories as a part of its ongoing characteristics study. Thus, it has been difficult to determine the average length of participation of food stamp recipients, and similarly whether there have been changes in the makeup (short term or long term) of participants over recent years.

One of the few analyses of turnover rates in the Food Stamp Program was presented by Timothy J. Carr and Irene Smith Lubitz on August 1984, at the American Statistical Association Annual Meeting in Philadelphia, PA. The study, prepared for the Department of Agriculture, has been completed, but is not yet published. They found that of all households who received food stamps in a given month, about 7.3 percent did not participate in the program the next month. The probability that a household was a food stamp recipient household at least once in the course of the year was about 1.7 times the probability that it participated in the program in a given month.

For instance, the 1.7 figure can be used to extrapolate the total number of individuals who participate, at one time or another during the year. If monthy participation is 20 million individuals, 34 million individuals (20 million times 1.7) are likely to be served in the course of the year. Similarly, this finding means that of the total number of people participating during the course of a year, about 35 percent were not participating during any specific month.

There have been no studies that have focused on whether food stamp participation, may have become—as some charge other welfare programs have—almost inherited, that is, that children of recipients themselves become recipients. Concerns have been expressed, in overall discussions about welfare, about whether people develop a dependency on such programs that is passed from generation to generation.

In all probability, the current caseload is divided among several groups, with varying lengths of participation. While somewhat speculative, it is probable that many participating poor elderly and disabled households fit the category of those who participate over several years. In such instances, their financial circumstances have not been likely to change (that is, improve) dramatically, and thus they may have come to depend on the Food Stamp Program to supplement their food purchases, or in some cases, provide all of their food assistance. Another group, although small, which potentially may be long-term participants are those with little or no likelihood of obtaining or maintaining employment, such as some of the homeless—especially those who are mentally ill.

One group which may be rather constant in the participation of its members are those who do work, but in low-paying jobs, such that they still qualify for some degree of food stamp assistance, although probably not to the maximum allotments for which the lowest income families would be eligible. The same may be true with larger households.

On the other hand, some able-bodied individuals, especially during economic downturns, may become unemployed, and rely, during their period of unemployment, on the Food Stamp Program to assist them. Presumably, most of these will again find work with sufficiently high income to remove them from Food Stamp Program eligibility. Of course, one concern of some observers is that newfound reliance on the Food Stamp Program, and perhaps other welfare programs, may become overly attractive to the newly unemployed, and that some previously employed individuals will not return to work but rather become increasingly dependent on the Food Stamp Program, and the other programs. Such dependency is developed, it is argued, because the total package of welfare benefits has become more extensive and more easily available. Support for this position is taken from statistics indicating that participation in the labor force among able-bodied low-income adults without child-care responsibilities has declined in the past 20 years concurrent with the development and expansion of welfare programs, including the inauguration of the Food Stamp Program.

Probably the greatest concern, both in Congress and by the public, has been with participation, whether short term or long term, by these able-bodied individuals. The Department of Agriculture has found, in analyzing workfare pilot projects, that able-bodied recipients subject to such a work requirement found jobs faster than did those who were not subject to such a requirement. Certainly one of the issues for consideration in connection with all welfare programs is how to prevent programs designed to meet the long-term needs of those unable to work and the unexpected needs of the able-bodied (such as unemployment, illness, et cetera) from being used as permanent crutches by the able-bodied to avoid a return to the labor force.

### WORK ETHIC AND IMPACT ON THE FAMILY

Another issue which has arisen with increasing frequency in a discussion of all welfare programs is what impact these programs are having on the family structure in our society.

While much of this discussion has focused on the Aid to Families with Dependent Children Program, the applicability of some of the same concerns may be relevant with respect to the Food Stamp

Program. Forty-two percent of the households on the food stamp rolls are AFDC households. (Approximately 80 percent of the AFDC households are on food stamps.) How might the Food Stamp Program ameliorate, or reinforce, any negative impact on the family caused by other welfare programs?

According to some analyses of social indicators, the proportion of husband and wife families among low-income families has declined dramatically during the past two decades, a decline which parallels the rapid expansion of welfare Great Society programs. This decline is sometimes described as a decline in black husband-wife families, but some contend that the trend is more a function of income than race. (See "The two wars against poverty: Economic Growth and the Great Society", Charles A. Murray, The Public Interest, Fall, 1982.)

Additionally, labor force participation by most low-income workers has also declined noticeably, again during the past 20 years.

Some contend that many men (the fathers) are actually present, but are merely unlisted, or "invisible", because the system requires it. (Most States do not provide AFDC benefits to households in which an able-bodied man is present.) Additionally, reported wages are counted as income in determining benefit levels in most households; thus, if income is not earned or reported, benefits will be higher.

Using a psychological analysis, some contend that modern welfare programs have displaced the father by removing his sense of personal authority and responsibility, both of which are being replaced by the social worker and the array of federally supported welfare programs.

A certain tension exists in trying to provide for those who are in need for the long term, even permanently, while not making permanent a dependence that should be only temporary for others. That which can be helpful in addressing a family's short-term emergency need (during unexpected unemployment, for instance) can become counterproductive if it attracts long-term dependence by those who are physically able to reenter the job market.

Specific questions concerning the Food Stamp Program include:

Are the work requirements (job search, penalties for quitting, and so forth) sufficient to maintain incentive in finding work?

By providing a work component, can the Food Stamp Program better equip recipients for private employment?

Are current rules encouraging or discouraging the family unit? Are current benefit levels encouraging households to splinter in order to get higher cumulative benefits? (Smaller size households get proportionately larger per person benefits than larger households.)

Does the structure, or very existence, of the program, including the form of benefit received, encourage self-reliance or does it foster dependence on others—such as eligibility workers—to make decisions for participants?

Are current food stamp policies (as well as other welfare policies) encouraging or discouraging adult children to provide for their elderly parents?

Are food stamp policies reinforcing or thwarting State attempts to tighten other welfare programs, such as AFDC?

## Comprehensive Welfare Reform and Methods of Delivery

### UNIFORMITY VERSUS FLEXIBILITY

A fundamental question in the current operation of the program is what level of government is the one most appropriate to establish guidelines for participation in and to oversee the day-to-day administration of the program. Currently, program guidelines are established nationally by the Federal Government, but administration is left to State officials, or, in some States, to State and local officials.

Current standards are uniform for all the 48 continental States and the District of Columbia although certain variances apply with respect to Alaska, Hawaii, and the territories.

The Food Stamp Program has gone through a transformation with respect to the degree of State and local control of the program's operation versus federally established, and generally uniform, standards.

In the Roosevelt era program and in the early years of the modern program, there was much local discretion. In both the Roosevelt era and in the later pilot projects, and even under the 1964 act, State governments and localities established many parameters for the program, especially the eligibility criteria and, in the days when there was one, the purchase requirement price. Participation in the program until 1975 was totally voluntary on the part of State and local governments.

However, local decisionmaking gave way to nationalized standards, first by the establishment of national eligibility standards in 1970 and then by the 1973 amendments which, in effect, required that communities participate in the program by 1975.

Additional federalization has occurred as a result of two successive philosophies with regard to State administration. First, many so-called liberal or recipient-oriented measures were established in the food stamp statute to ensure that all States would provide timely benefits, accessibility, and service to applicants and recipients, and would protect their rights. More recently, federalization has been continued as a result of conservative concerns that States had been too lax with administration and, thus, must be instructed in considerable detail with regard to verification procedures, fraud investigations and prosecutions, and penalties, including an error rate sanction system for States with poor administration.

### STATE COST SHARING

Throughout much of the modern program, a concurrent discussion has been the appropriate State financial contribution to the Food Stamp Program. Historically, the Federal Government has paid for all of the benefit costs associated with the Food Stamp Program. States initially paid for most of their own administrative costs, but the Federal Government now shares these costs on a 50-50 basis. Attempts in the House of Representatives to establish State "matching" requirements, as in other programs, failed throughout the 1960's—50 percent in 1964, 20 percent in 1967, and 10 percent in 1969.

Concerns were expressed at the time of these debates that if States were not required to contribute State money, participation would grow and that administration would be lax. The States' attitude, it was charged, would be "it's Federal money, so we don't care." Whether it was connected precisely to this factor or not, participation levels (and associated costs) did grow dramatically, and investigations and audits did reveal significant incidents of poor program administration, including errors in as many as 25 percent of all cases overissued dollars representing 15 percent of all benefits in the 1970's.

In 1977, Congress established the first quality control system; in 1980 the system was strengthened to provide a form of matching. States with high error rates were to be required to reimburse the Federal Government for errors above certain national averages. In 1982, this system was strengthened further, primarily by providing specific and declining error rate targets. A portion of overissuances above these targets would have to be repaid to the Federal Government by the States through reducing administrative funding.

It appears that States have responded to some degree in attempting to lower their overissuance error rates. However, as reported by the General Accounting Office in April 1984 no State has yet reimbursed the Federal Government for any errors, under either the new or old system. (NOTE.—Connecticut has since paid while continuing to contest the sanction in court.)

Should the States be permitted greater flexibility in the operation of the program? Should the States be required to contribute financially to the operation of the program? Should these issues be joined in some way?

To what extent should the error rate sanction system be used to compel improved State administration of the Food Stamp Program as opposed to specific Federal rules for closing opportunities for fraud and abuse? Is there an appropriate balance?

## AUTOMATION

Another issue which may be relevant for the Food Stamp Program, and likely for other Federal programs, in the 1980's is the extent to which these programs can, or should, become more automated.

The current Food Stamp Program was structured at a time when most aspects of welfare program administration were done through manual efforts, including much paperwork.

Considerable paperwork and manual effort is still typically involved for State and local workers in the application process as well as in the issuance of food stamp coupons. Additional manual effort is involved in the private sector (grocers and banks) through the subsequent redemption of food stamp coupons by retail grocery stores. Manual effort also occurs at the Federal level through final redemption of coupons through the Federal Reserve System.

Even in 1985 with the increase in technology, many States still have systems that involve predominantly manual, paper operations. Indeed, even States that have automated other programs have not pursued such automation with respect to the Food Stamp Program. (Again, the issue arises as to whether States have been as diligent in improving administration of the federally funded Food Stamp Program as they have been in other, State-funded programs.)

At both the State and Federal level, questions about a continuation of the present system arise. Can either afford the administrative costs associated with a long-term continuation of the present systems? Can automation reduce these administrative costs? If automation is implemented, who should pay, State or local government, or the Federal Government? Can automation reduce other, nonadministrative expenses, such as the rate of losses, or overissuances?

Much discussion has centered around online computer systems that would be used by social workers to encode information supplied by food stamp applicants or recipients. In such a system, the input automatically would be checked with other information already encoded into the computer. Such information could include records on income (submitted quarterly in most States now and by all States by September 30, 1988), other cash welfare payments (such as AFDC), and unemployment compensation to verify income reported by the household; vehicle license information to verify the number and value of automobiles owned by members of the household; and property tax information to check ownership of various assets such as land, cars, or other valuables.

Additional considerations has focused on improving the automation of the issuance and redemption process. Various demonstration projects have been launched to test the feasibility of using a credit card-like devise, rather than paper coupons, at a grocery store where a computer would tie in with a statewide system. The elimination of paper coupons would save both the costs of printing as well as eliminate abuses associated with occasional counterfeiting and difficulties with reports of lost coupons. It could also save considerable amounts of time and effort by both grocery stores and the Federal Reserve System.

An increase in automation may improve verification and thereby result in a reduction in overissuances to ineligible recipients. One related point is that any savings in overissuances accrue to the Federal Government (which pays for all benefits) except to the extent that the reduction prevents the State from having to pay an error rate sanction (described previously).

## NEW FEDERALISM

The Reagan administration was involved in discussions throughout 1982 with State and local officials about its initiative that was, broadly defined as New Federalism. Under the proposal as first outlined by the President in his State of the Union address, the Federal Government would turn over certain programs to the States as well as certain sources of funding. The Federal Government would also assume certain other programs, the operation and cost of which are currently shared between Federal and State governments.

The proposal and the subsequent talks between Federal, State, and local officials have been part of Reagan administration initiative discussions to sort out and redefine the activities most appropriate and suitable for the Federal Government and those most appropriate and suitable for State and local governments.

Historically, welfare programs have been a function of State and local governments. The notable exception to this general rule has been the Food Samp Program. Most welfare programs—such as AFDC—have a shared financial commitment by both Federal and State governments, and have had such a shared responsibility since the New Deal era. Additionally, some States and localities maintain welfare or public assistance programs separate from programs with Federal funding. These programs are financed exclusively with State and local funds. However, the Food Stamp Program is unique in being totally federally funded—except for the relatively small percentage of administrative costs.

The New Federalism initiative dealt primarily with which programs would be funded and operated by which level of government. The administration recommended in the context of its proposals that the Food Stamp Program should be transferred to the States, not only for administration, as at present, but also for funding. Additionally, the AFDC Program, partially funded by the Federal Government, would be transferred to the States. The Federal Government would assume the cost of the Medicaid Program, now financed jointly by the Federal and State governments. These were the largest programs involved in the new Federalism discussions. The broad issue of the administration's New Federalism initiative may be resumed in the future, raising once again the question of whether the Food Stamp Program is one which should be a Federal or State and local responsibility.

If there is no fundamental transfer of the program to the States the issue may arise as to whether, even under the existing federalized system, perhaps there should be some greater State financial commitments to the Food Stamp Program as discussed earlier.

## BLOCK GRANTS

Another potential approach to the issues both of flexibility and of greater State responsibility is the block grant approach. Several variations in block grants have been recommended or discussed.

One approach would be to convert the Food Stamp Program to a block grant in which individual States would receive a certain amount of money for the administration of a Food Assistance Program within the State. Decisions would be made by the State as to eligibility criteria, benefit levels, methods of operation, et cetera. The State would be given the incentive to run an efficient program by the finite amount of the State's grant. There would no longer be automatic money from Washington to expand the program continuously.

Such a block grant could be mandatory—that is, all States would participate—or made optional with each State. The latter approach has been recommended by the President's Task Force on Food Assistance in its January 1984 report. Under this optional system, States would opt to continue under the Federal system or initiate separate programs at the discretion of each State. Under such a system, neither States that opted in, or out, would have an advantage over the other States. The Task Force also suggested the possibility of changing the grants to reflect adjustments in the cost of living and in State unemployment rates. A mandatory block grant for the Puerto Rican Food Stamp Program has been established with an annual funding of $825 million.

Both the optional and mandatory block grants could continue Federal funding of the program while permitting greater diversity in actual program operations. Yet another variation would be to establish a block grant at a fixed level that would not be adjusted so that the Federal Government's financial role would be reduced gradually with the States making a concurrent increase in financial commitment.

The block grant approach may also be considered in the context of comprehensive reforms in which other programs are also included in a mandated block grant, or eligible to be included in an optional block grant. For example, the President's Task Force recommended that all food assistance programs be eligible to be converted to optional block grants.

Such comprehensive reform might also consider the extent of multiple participation discussed earlier. Grants might be reduced if it is decided that the existing levels of multiple participation are resulting in overly generous benefits to various categories of recipients. Additionally, reductions might be warranted by economies of scale that can be achieved through consolidation as well as from the potential reduction in associated administrative costs.

## SELECTED (CHRONOLOGICAL) REFERENCES

Assistance in identifying many of the foregoing issues was obtained from a review of numerous studies, reports, articles, and books. Some of these address specific aspects of the Food Stamp Program while others provide an overall discussion of welfare reform issues, often including the Food Stamp Program. The following is a list of selected references which should provide additional information and discussion on various of the subjects covered in the issues section.

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# OPTIONS FOR PROGRAM REFORMS

## INTRODUCTION

One of the purposes of this print, as outlined by Chairman Helms in the foreword, is to provide reasonable policy alternatives for consideration in the event that further budget restraint or budget reductions in the Food Stamp Program are necessary in 1985. In line with the Chairman's guidance, those alternatives that have been included are intended to target benefits to the most needy, to provide administrative simplicity and, where possible, uniformity with other Federal programs, and to make the most efficient use of Federal tax dollars. Not all of the proposals included would reduce overall spending. Many would target more effectively the existing Federal dollars being spent in the program.

These policy alternatives are grouped in several basic categories: Structural or fundamental program reforms, changes in the thrifty food plan, indexing, simplification and compatibility, other benefit reforms, reforms relating to retail stores, and reforms to improve program integrity. In some cases, proposals may be structured in such a way that they have no, or varying, budget impact. Such distinctions will be noted.

The Congressional Budget Office provided the savings estimates which are included with those options for which a specific dollar savings is cited. CBO figures are based on a January 1985 baseline throughout this committee print. CBO estimates on the same proposals considered at a future time may be slightly different, based on what ever economic assumptions are being used at that time. Reductions are expressed in reductions in obligations incurred during each fiscal year. The following shows the CBO baseline of anticipated food stamp spending for the next 5 fiscal years:

JANUARY 1985 CBO BASELINE ESTIMATES OF COSTS OF THE FOOD STAMP PROGRAM

[By fiscal year, in millions of dollars]

| | 1986 | 1987 | 1988 | 1989 | 1990 |
|---|---|---|---|---|---|
| Food stamps: | | | | | |
| Administrative expenses | 965 | 1,009 | 1,051 | 1,092 | 1,132 |
| Benefit payments | 10,892 | 11,439 | 11,966 | 12,535 | 13,124 |
| Estimated budget authority | 11,857 | 12,448 | 13,017 | 13,627 | 14,256 |

Budget authority represents the expected obligations during the fiscal year. Outlays represent the actual expenditures. In the Food Stamp Program, budget authority and outlay figures are almost synonymous. Throughout this section of the print, savings esti-

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mates from the Congressional Budget Office represent reductions in budget authority.

It should be noted that these figures do not include the budget authority for the nutritional assistance block grant for Puerto Rico, currently funded at $825 million annually.

The primary factors used by CBO in establishing the baseline are the projected rates of change in food prices and in unemployment from the current, fiscal year 1985, levels. The following shows the assumption changes contained in the CBO baseline compared with present, fiscal year 1985, levels.

[Assumptions in percentage]

| | Fiscal year— | | | | | |
|---|---|---|---|---|---|---|
| — | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
| Food prices | 3.6 | 3.3 | 4.7 | 4.4 | 4.2 | 4.2 |
| Unemployment | 7.1 | 6.9 | 6.8 | 6.6 | 6.4 | 6.3 |

The unemployment percentages are expressed as an average for the full fiscal year. The food price inflation shown is the projected change in prices effective June 30 of the preceding fiscal year from June of the second preceding year. For example, the estimate for fiscal year 1986 food price inflation, 3.3 percent, represents the expected change in prices from June of 1984 to June of 1985. This assumption is made since the maximum food stamp allotment is based on the price of the thrifty food plan as of June 30, in the preceding fiscal year, as updated for the previous 12 months.

## STRUCTURAL OR FUNDAMENTAL PROGRAM REFORMS

### *New Federalism*

Perhaps the most fundamental reform of the Food Stamp Program would be considered in the context of an overall reassessment of the proper role and responsibility of the Federal Government in operating the Food Stamp Program, or any food assistance program. The Reagan administration proposed in 1982 that the Federal Government transfer responsibility for many Federal programs to the States, along with various souces of funding. The centerpiece of the President's plan was a proposal whereby the State would assume financial and administrative responsibility for the Food Stamp and AFDC Programs and in return the Federal Government would assume all costs of the Medicaid Program.

Administration offficals were involved in discussions throughout 1982 with State and local officials to redefine the activities most appropriate and suitable for the Federal Government and those most appropriate and suitable for State and local governments.

In all likelihood, any further discussion of a transfer of the Food Stamp Program to the States would be undertaken in the context of a comprehensive program involving other programs, such as that envisioned by the New Federalism proposal. The advantage of the particular swap proposed by the administration was a return to a system under which welfare programs would be funded and operated at the State and local level. Medicaid, like medicare, would have become a totally federalized program. Thus, a distinction would have been made between welfare programs, to be run by the States, and medical programs, to be run by the Federal Government. The New Federalism proposal, it was argued, would also differentiate between programs with more controllable costs, food stamps and AFDC, and those with less controllable costs, medical aid programs. By allowing the maximum State flexibility in the operation of these welfare programs under such a New Federalism system, the States could have absolute control over eligibility criteria, benefits, administrative structures, rules and regulations, and other program considerations. Such a proposal need not have any budget impact at the Federal or State level. Presumably in order to make such an approach appealing in the States, the swap would have to be neutral in its impact on State budgets. Similarly, to make the package attractive to Congress and the administration, the Federal budget impact presumably would have to be neutral as well.

### *Comprehensive (Federal) welfare reform*

Within the context of maintaining a Federal system of welfare support, various comprehensive proposals have been advanced aimed at consolidating and simplifying the patchwork of existing programs. The most recent attempt was proposed in 1977 by President Jimmy Carter.

The Carter program had two tiers. The upper tier was for those not expected to work or for whom no job was available—defined in the proposal as the aged, blind and disabled, single parents with children under 7, single parents with children between 7 and 13 if a job and day care were not available, and two-parent families with children if one parent was incapacitated. The lower tier was for those expected to work—two parent families with children, single parents with their youngest child over 13, and single persons and childless couples unable to find full-time work. In lieu of the Food Stamp, AFDC, and SSI Programs, the Carter plan would have provided a flat cash payment, the level of which would depend on which tier the individual was in. There was much discussion about the Carter proposal as well as various alternatives in 1977 and 1978. A similar approach passed the House in 1979, but no fundamental changes were made in the three programs which had been proposed for consolidiation.

Earlier attempts at welfare reform met a similar fate in Congress. In 1969, President Richard Nixon proposed a family assistance plan which attempted to address solely the AFDC Program. While it passed the House in 1971, it was not enacted.

Although comprehensive welfare reform did not pass, a scaled down version, establishing the Supplemental Security Income [SSI] Program, passed in 1972.

In 1974, Representative Martha W. Griffiths (D-Michigan) chaired a subcommittee of the Joint Economic Committee which recommended a combination cash allowance-tax rebate plan. The plan embodied the negative income tax concept by assuring a minimum income to all eligible households based on family size. The grants would have replaced AFDC, food stamps, SSI and the existing personal exemption and standard deduction in the Federal income tax system. Again, however, the proposal was never acted on.

Key components of most comprehensive welfare reform plans usually include consolidation and simplification of existing Federal programs and stabilization of program costs, although the Carter plan would have increased overall spending. A component of most consolidation proposals is the cashing out of in-kind benefits, such as food stamps, although some contend that in-kind benefits should be maintained in some form. Some contend that a work requirement should be a component of any comprehensive reform. Differences are also expressed about whether benefits and eligibility standards should be nationally uniform.

*State option block grants*

An alternative to earlier proposals has emerged in the form of a proposal to provide States the option of operating a low income nutrition block grant in lieu of the present Federal Food Stamp Program. The State option block grant maintains Federal funding to provide food assistance to low-income citizens, but provides considerable flexibility to the States in decisions regarding its implementation.

The first legislation attempting anything resembling a "block grant" for the food stamp program occurred in 1975. Representative Thomas N. Kindness (R-Ohio) introduced H.R. 6269 on April 24, 1975, to replace the food stamp program with a 5-year federally financed program which would phase out the Federal financial commitment for food assistance over the 5 year duration of the bill. In 1977, Representative Kindness reintroduced the bill as H.R. 4442 on March 3. Other legislation, embodying the block grant concept, was introduced by Senators Henry Bellmon (R-Oklahoma), Pete Domenici (R-New Mexico), Richard G. Lugar (R-Indiana), and Milton Young (R-North Dakota). They introduced S. 1094, the Food and Nutrition Program Optional Consolidation and Reorganization Act on March 23, 1977. The bill would have permitted States to consolidate the various Federal nutrition programs and devise their own State programs to provide nutrition assistance. No reduction in funding was contemplated in the Senate proposal.

Senators Bellmon and Domenici reintroduced similar legislation, S. 605, on March 8, 1979. However, they subsequently deleted the Food Stamp Program from the list of Federal programs for which a State could receive a block grant. A limited version of the concept, permitting pilot projects in six States for nutrition programs other than food stamps, passed the Senate in 1980, but was opposed in the House, and was not adopted. Representative Kindness reintroduced his bill, H.R. 5816, on November 7, 1979.

On August 25, 1980, Representative Robert S. Walker (R-Pennsylvania) introduced a bill, H.R. 8021, to provide a block grant in lieu of the food stamp program. An amendment by Representative Walker to the Food Stamp Act Amendments of 1980, S. 1309, to establish a block grant had been defeated on May 8, 1980.

Representative Walker reintroduced the bill the 97th Congress as H.R. 637 on January 5, 1981.

A block grant, though not optional, was mandated by Congress in 1981 for Puerto Rico in lieu of continuing the Food Stamp Program there. The block grant reduced the funding of this nutritional program by 25 percent below projected levels for fiscal year 1983 and capped the program at $825 million annually through fiscal year 1985. Because actual food price inflation was less than had been anticipated when the block grant was established, the actual reduction in the grant during fiscal year 1983 was about 15 percent less than had been expected.

In 1982, Senator Jesse Helms (R-North Carolina) proposed legislation, S. 2352, which would have permitted States the option of receiving a block grant for the administration of a low-income nutrition assistance program rather than operating the current Food Stamp Program. Under the Helms bill, a State's block grant amount was determined by the State's percentage of overall cost of the Food Stamp Program in a previous 12-month period. Thus, if a State had received 3 percent of the national food stamp budget in the preceding year, it would receive 3 percent of the food stamp appropriation for the following fiscal year. The Helms approach was passed by the Senate in its version of the Omnibus Budget Reconciliation Act of 1982, S. 2774. However, House conferees opposed the State option block grant approach, and it was not included in the final version of the bill. A similar bill, S. 1279, was reintroduced by Senator Helms and three cosponsors in 1983.

The President's Task Force on Food Assistance proposed in January 1984 that *all* Federal food assistance programs, including the Food Stamp Program, be made available to States in the form of optional block grants, termed "autonomous food assistance programs" by the task force. Hearings were held by the Senate Committee on Agriculture, Nutrition, and Forestry on the subject of a State option block grant for the Food Stamp Program on February 1, 1984, but no action was taken on the bill or other block grant legislation.

The President's Task Force outlined the rationale for the optional block grant concept in its report as follows:

> We have become convinced that people in need of food assistance would benefit if the programs or any subset of them were controlled at a more local level, such as the State or county. The gains from such a modification derive from allowing the States: (1) more autonomy in allocating funds among the various food assistance programs, (2) greater discretion in administering programs, and (3) greater responsibility for assuring that funds are properly targeted toward those in greatest need. The greater flexibility and improved administration that would be gained would help to increase the benefits available to the truly needy without at the same time increasing the cost to the taxpayer.

The appeal to State administrators was noted by Stephen K. Larsen, chief, food stamp program management branch, California Department of Social Services, during the February 1, 1984 hearing:

> The bill provides assurances to Congress that the Federal Government will have control of States' expenditures. At the same time, it provides States with the latitude to design a low-income nutritional assistance program which is efficient, effective and complements other assistance programs within the States. The latter is assured through the provisions which give States the exclusive authority to establish eligibility standards as well as the amount and form of assistance to be granted individuals within the States. I believe these provisions are key to States' participation in this optional program.

Under the present Food Stamp Program, there is no acknowledgement of differences in incomes—between rural and urban areas within a State, for instance, or between different parts of the country. Nor is there any difference in food stamp allotments to account for differences in food costs in the continental United States. A block grant approach would permit States to make such adjustments if they felt that would be the most appropriate way to serve their low-income citizens. Theo M. Murdock, administrator of the division of welfare in the Idaho Department of Health and Welfare, submitted the following testimony during the February 1, 1984 hearing:

> What may meet the needs of low-income people in a large, industralized state, [under the current program], continues to fall far short of the needs of those individuals in the State of Idaho. * * * If funding is adequate to do a good job, States such as Idaho will initiate programs that will eliminate major abuses, reduce overhead costs, and meet the needs of their low-income citizens.

State Representative Bill Ceverha of Texas, chairman of the American Legislative Exchange Council, echoed the desire for State autonomy and creativity:

> It is my belief that an optional block grant is an innovative and workable approach to bring efficiency into the Food Stamp Program. The philosophical ideas upon which it is based are sound.
>
> [The block-grant approach] affords the opportunity for States to reach undernourished people; for, after all, the State knows better than the Federal Government who within its jurisdiction needs food and who does not. * * * Moreover, since the 1981 Omnibus Budget Reconciliation Act, States have demonstrated responsible and vigorous administration of block grants and have proven their determination to not shift away from the neediest as a target group * * *
>
> Not enough credit is given to Governors and State legislators. We are not "country bumpkins" incapable of operating our own finances.

In addition to making decisions about eligibility and benefit levels, States would be responsible for deciding appropriate application procedures, means of verification, and other administrative procedures, most of which are currently mandated in considerable detail by the Federal Government.

The Helms block grant proposal and that of the President's Task Force on Food Assistance are unique among many block grants in their "hold harmless" provisions. Many previous block grants such as those enacted in 1981, contained reductions in spending in the block grant coupled with *mandatory* participation. Both the Helms and task force proposals are optional for each State; the Helms proposal specifically provides that States may change from block grant status back to the Federal program, with appropriate notice to the Secretary of Agriculture.

With regard to funding, under the Helms' bills, S. 2352 and S. 1279, any State opting for the block grant would receive the same percentage of the current year's appropriation as it did in a previous year—relative to the overall food stamp appropriation. The exact amount of money will depend on the overall appropriation approved by Congress, that is, whether the appropriation itself is increased or decreased over the preceding year's level.

The task force recommendation specified that the block grant allocation should be made according to a formula that would provide a predictable level of funding, and in particular, that the formula should make adjustments for any changes in both food costs and the State population in need.

No budget estimates are available from the block grant approach because no budget impact would be established. Actual funding would be established by future appropriations action.

A related issue which may need to be dealt with is whether to permit States total discretion in establishing the form of benefit they will provide to recipients. For instance, Puerto Rico, in its mandatory block grant, chose a cash system whereby a monthly benefit check is mailed to participating families. Twice, however, Congress has mandated that Puerto Rico convert to a noncash system, although the Congress has also delayed the requirement for that conversion again until October 1, 1985. Attention will again focus in 1985 on whether to permit Puerto Rico to continue with its choice, currently the cash system.

A fundamental purpose of block grants has been to provide flexibility to States to manage their programs. Restrictions on block grants, in this and other programs, may tend to dampen State interest in participation, particularly when participation is optional.

In terms of the nutritional focus of the program, studies—of Puerto Rico and elsewhere—have determined that the cashing out of benefits does not impact the expenditures for food. Opponents have charged that "cashing out" would result in a reduction in food purchases. In essence, since the Food Stamp Program, with coupons, has had little impact in increasing food purchases, since the elimination of the purchase requirement, there is little change when cash is used. It should be noted, however, that the block grant flexibility would also permit States to continue using a coupon system, implement a computerized system at grocery checkouts, reinstitute a commodity distribution program, or adopt other alternatives.

### *State option block grants for all Federal food assistance programs*

A more comprehensive, multiprogram version of the State option block grant for the Food Stamp Program would provide an optional block grant for other Federal food assistance programs in addition to the Food Stamp Program. This was the full recommendation of the President's Task Force on Food Assistance in January 1984. This is also the type of approach initially recommended in the series of bills introduced by Senator Henry Bellmon (R-Oklahoma) and Senator Pete Domenici (R-New Mexico) in 1977 and 1979. The task force cited the rationale for permitting block grants in lieu of the existing Federal food assistance programs:

> Since circumstances of need often vary from State to State and even county to county, substantial efficiency gains could be made if a State were able to take control of food assistance programs. One reason for this is that the proportion of children and elderly in the population varies across States. Moreover, the ability and desire of communities to participate in the School Breakfast Program, the Child Care Food Program, the Summer Food Program, and the Elderly Food Program vary markedly across and within States. In addition, costs of food and other essentials, such as energy, also vary across and within States, which means that benefit and eligibility levels ought to be allowed to vary as well. Thus the Task Force believes that recipients of food assistance could benefit by allowing each State to determine the appropriate mix of food assistance programs for its residents, as well as the eligibility requirements for participation in the programs.
>
> Under a system of greater local control, States would be able to adopt more flexible programs targeted at residents who would not necessarily qualify for existing programs. Greater local control would also enhance the possibility of funding for private-sector programs. States or local governments are often better able to identify people and their particular needs than the Federal Government; yet, under the

present system, the Federal Government must dictate blanket eligibility criteria for all the States. State-run programs by definition also combine liability and responsibility for errors or overpayments. However, some States may find it preferable to continue with some or all of the existing entitlement programs, and for that reason State control should be optional.

Proponents argue that the greatest advantage of such a system is that it permits States to opt for their own operation of certain programs while retaining Federal guidelines for those programs which they do not wish to change.

[NOTE.—In most instances the States already administer other Federal food assistance programs under Federal regulations outlining eligibility, procedures, and so forth.]

It is argued that such an optional consolidation would permit greater flexibility in the implementation of nutrition assistance in lieu of Federal food assistance programs. Each program for which a block grant would be permitted could be funded by the Congress at existing levels, or, as the task force recommended, with adjustments to reflect changes in food prices and populations in need of assistance.

Alternatively, a consolidated block grant could be established with *reduced* funding to make adjustments, in whole or in part, to take into account the existing levels of participation in other food assistance programs, as described in the following option.

### *Multiple program participation*

One issue which has arisen increasingly in the past few years is the question of the extent to which the Food Stamp Program should take into account *other* Federal food assistance benefits received by households that also receive food stamp benefits.

The current food stamp allotment is predicated on the assumption that all family members eat three daily meals prepared at home. The food stamp allotment represents about 73 cents per person, per meal—based on a maximum allotment for a four-person household.

The Federal school cash lunch subsidy for children receiving free lunches—children from families who like food stamp families, have incomes below 130 percent of the poverty line—is 125.5 cents. An additional 12 cents per meal is provided in the form of commodities. The school lunch subsidy is based on the premise that it provides support to meet one-third of the participating child's recommended dietary allowance. The subsidy amount is higher than the food stamp per meal subsidy partially because of to the higher costs involved in preparing meals away from home.

The Department of Agriculture has estimated that approximately 35 to 44 percent of food stamp households contain students who receive federally subsidized free lunches through the national school lunch program.

Several variations have been proposed to address this multiple participation issue. Each has been intended to reduce food stamp benefits to families whose children receive fully subsidized lunches at school.

The General Accounting Office recommended in 1978 that the Department of Agriculture study the feasibility of considering food benefits received by a household from child feeding programs, primarily school lunch, but also other Federal feeding programs, when determining food stamp eligibility or benefits for that household. It also recommended that the Congress eliminate the overlap in benefits, particularly from food stamp and school lunch participation, if the study showed a change was feasible. (See "Federal Domestic Food Assistance Programs—A Time for Assessment and Change" CED-78-113, June 13, 1978.)

Senator Jesse Helms (R-North Carolina) first proposed a bill, S. 2360, to eliminate the school lunch overlap, in 1980. In 1981, the Reagan administration proposed, in S. 1007, that monthly food stamp benefits for a household be reduced by subtracting the per meal food stamp subsidy for the average number of meals eaten at school by members of that household. The administration and other proponents of the change argued that the Federal Government is subsidizing an extra meal in multiple-benefit families. A reduction in food stamp benefits to account for this extra subsidy, it is argued, would better target limited Federal dollars

In order to provide administrative simplicity, the administration's proposal used the per person, per meal value of a six-person household, regardless of the family's actual composition. The effect of that designation, in addition to administrative ease, was to result in a smaller per meal reduction since the per person, per meal amounts for larger families are smaller, because of economies-of-scale. Additionally, the administration's proposal was based on a national average number of days attended per child, as calculated by the National Center for Education Statistics. The maximum number of children within any household for whom such reductions would be made would be four.

The formula would have established a school year per person reduction amount which could have been prorated across months in a school year by the State. The only calculation by eligibility workers would be to determine how many school age children were in the household—information which is already supplied by households.

The Congressional Budget Office has estimated the impact of implementing the administration's proposal beginning in fiscal year 1986, for the school year beginning in the fall of 1985, as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 828 |
| 1987 | 869 |
| 1988 | 909 |
| 1989 | 952 |
| 1990 | 997 |

An alternative method for addressing the same issue was recommended by the President's Private Sector Survey on Cost Control, known as the Grace Commission. The recommendation of the Grace Commission's task force on the Department of Agriculture was to include as part of *income* for food stamp purposes the value of the cash subsidy for free lunches in the national school lunch program for households with school age children. Inasmuch as food stamp benefits are currently calculated by subtracting 30 percent of the household's net income from a maximum allotment level, the net impact of counting school lunch benefits as income would be to reduce food stamp benefits, for households with school age children, by an amount equal to 30 percent of the Federal subsidy for school lunches.

At 20 meals per month, the monthly addition to gross income, rounded to the nearest whole dollar, is $25—125.5 cents per lunch times 20 lunches per month—per school age child.

The Grace Commission report noted:

> It is ironic that practically every other type of entitlement benefit is included as income. For example, Aid to Families with Dependent Children [AFDC], Social Security, Supplemental Security Income, general or public assistance, Veterans benefits, pensions, retirement income, unemployment or workman's compensation, and child support payments all are included as unearned income. Yet the entitlements that FNS [Food and Nutrition Service] administers are not included.

The Grace Commission also compared its recommendation with the preceding attempts to account for multiple participation:

> Previous legislative attempts to eliminate overlap with the School Lunch Program have dealt with subtracting the food stamp value for the five meals per week, or approximately $10 per child. It was protested that this method did not vary the impacts to participants across income categories.
>
> This [our] recommendation would reflect those needs fairly, as well as reduce the duplication payment. This is done by including the school lunch benefit as income when determining food stamp eligibility and bonus value.

The Congressional Budget Office has estimated the impact of the Grace Commission method for reducing the school lunch overlap as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 490 |
| 1987 | 509 |
| 1988 | 528 |
| 1989 | 548 |
| 1990 | 568 |

The Grace Commission further recommended that in order to get a full picture of the overlap issue, subsidies in other, smaller child nutrition programs—in addition to the school lunch subsidy—should also be included as income for purposes of determining food stamp eligibility and benefit levels. The Commission specifically addressed the School Breakfast, Child Care Food, and Summer Food Service Programs.

The task force report noted:

> Current food stamp laws do not account for any benefits of these programs when determining the stamp entitlement bonus value. All are supplying nutritional assistance in reaching minimum Recommended Daily Allowance [RDA] requirements. When calculating food stamp entitlements, therefore, the value of these benefits should be included as income.

The task force considered the Special Supplemental Food Program for Women, Infants, and Children [WIC] and the Commodity Supplemental Food Program [CSFP]—both of which serve pregnant and nursing women, infants, and small children—as *supplemental* food programs. The task force did not include these programs with those whose benefits should be counted as income.

Because the cost of the three other programs recommended to be included are smaller than the School Lunch Program, the savings are not as great as with the School Lunch Program, which is the most costly child nutrition program. Savings, as estimated by the Congressional Budget Office, from counting as income for food stamp purposes, the Federal subsidy for School Breakfast, Child Care Food, and Summer Food Service Program benefits are as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 110 |
| 1987 | 115 |
| 1988 | 120 |
| 1989 | 122 |
| 1990 | 125 |

### *Count in-kind (noncash) benefits as income*

Another issue related to multiple benefits is whether to count the value of in-kind benefits as income for purposes of determining food stamp eligibility and benefit levels.

Studies have indicated that the inclusion of noncash Government benefits in the determination of poverty would reduce the percentage of Americans living below the poverty level. (See, for instance, "Alternative Methods for Valuing Selected In-Kind Transfer Benefits and Measuring Their Effect on Poverty," U.S. Department of Commerce, Superintendent of Documents, Washington, DC, March 1982.) Similarly, the inclusion of noncash benefits as income for purposes of determining food stamp eligibility and benefit levels would reduce the number of people eligible for the program and, in some cases, the amount of food stamp benefits they would receive.

In addition to various other nutrition program benefits previously discussed, attention has focused primarily on energy assistance and housing benefits. In 1981, the administration proposed, in S. 1007, to count as income for food stamp purposes the value of State and local payments for energy assistance. It should be noted that some energy assistance payments are made in the form of cash to individuals while other systems provide reimbursement directly to the energy provider, such as the electric or natural gas company, on behalf of the individual. Additionally, S. 884 by Senator Jesse Helms (R-North Carolina) proposed to count the value of all energy assistance payments. An amendment by Senator James McClure (R-Idaho) to count the value of all energy assistance payments as income in the Food Stamp Program was defeated in the Senate in 1981. Subsequent legislation—S. 2352 by Senator Helms and the administration's bill, S. 2392, in 1982 and S. 1727 by Senator McClure in 1983—also proposed to count the value of all energy assistance payments.

It is argued that the provision of energy assistance payments frees up other household income, thereby improving the total financial picture of the household. Ignoring this improvement, as is presently done in the Food Stamp Program, results in overly generous food stamp benefits compared with the household's true financial condition.

The Congressional Budget Office estimates savings of $320 million annually by counting energy assistance payments as income for food stamp purposes.

Approximately 3 million households reside in public or federally subsidized housing. Many of these same individuals also receive food stamp benefits. Counting the value of the housing subsidy would also result in savings in the Food Stamp Program.

[NOTE.—A variation on this issue has been proposed in several recent years by the Reagan administration; that is, to count the value of *food stamp* benefits in determining eligibility for federally subsidized housing.]

### *Combined welfare administration financing*

One issue which has drawn attention in several federally financed welfare programs has been the increasing Federal costs associated with State administration of these programs. The Food Stamp Program, AFDC and Medicaid are all administered by State and local governments. The Federal Government pays a share of these administrative expenses, usually 50 percent.

In 1982, the Reagan administration proposed to change the current procedure of reimbursing the States separately for the administrative expenses of the AFDC, Medicaid, and Food Stamp Programs.

This combined welfare administration proposal involved establishing a system by which the Federal Government would fund the States for a portion of their costs of administering the three programs by means of a single payment with no matching requirement. The program was to be operated by the Social Security Administration and was based on capping the Federal share of State administrative expenses for the three programs at 95 percent of the Federal share of the fiscal year 1982 expenses. The antifraud and antiabuse funding for the Medicaid and Food Stamp Programs would have continued to be funded separately.

The Federal commitment to match State costs associated with administrative expenses is open-ended, and the Federal Government has experienced an expansion in the Federal costs for administrative expenses in all of these programs as State costs have increased.

The issue of a consolidated welfare grant for administrative expenses was examined by the Task Force on Low Income Standards and Benefits of the President's Private Sector Survey on Cost Control—the Grace Commission. The efficiencies in administering the various programs, and the associated costs, vary a great deal among States. For instance, the Grace Commission found that, during fiscal year 1981, the administrative cost for administering the Food Stamp Program ranged from a low of $9 per case in Wisconsin to a high of $94 per case in Alaska. The Grace Commission noted that "the open-ended nature of the Federal commitment reduces the incentive for the States to maximize their efforts to contain administrative costs."

Approximately 28 percent of all administrative costs in these three programs consists of administrative costs of the Food Stamp Program. The Food Stamp Program savings from instituting a combined welfare grant at 95 percent of funding as proposed by the administration in 1982 would have been significant. The savings, from the Food Stamp Program alone, that would result from establishing a combined welfare grant at 95 percent of the current year's, fiscal year 1985, anticipated levels as estimated by the Congressional Budget Office are as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 81 |
| 1987 | 120 |
| 1988 | 159 |
| 1989 | 195 |
| 1990 | 233 |

Savings to the Federal Government from such a proposal could be increased by reducing the Federal share to a lesser percentage. For instance, the savings in the Food Stamp Program alone from setting the administrative grant at 90 percent of fiscal year 1985 levels would be as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 122 |
| 1987 | 162 |
| 1988 | 200 |
| 1989 | 236 |
| 1990 | 274 |

The Grace Commission identified a number of perceived shortcomings in the administration's original idea. Funding levels were based on past fiscal year funding, providing no increase for future additional or increased administrative expenses. No adjustment was provided for changes in caseload or for any escalation or reduction of program administrative costs. Additionally, the proposal was based on a uniform percentage reduction on the level of Federal funding for each State, regardless of whether the State had a high or low cost per case in relation to other States.

The Grace Commission recommended that in order to strengthen the chances of passage, the proposal could be revised in two general ways: First, the Commission recommended that projected funding levels for the consolidated grant should be established on the basis of estimated caseload by program and should reflect current cost levels. In this way, the Commission noted, States that in the future processed a significantly greater number or program recipients than at present would be assured of an adjustment in Federal funding of their administrative expenses. Additionally, the Grace Commission task force recommended that States which have significantly higher administrative costs per case than other States should be required to achieve a proportionally larger amount of savings. Since there are sizable variations in State administrative costs on a per case basis, a maximum cost per case should be established.

While the concept recommended by both the administration and the Grace Commission involved a combined grant for administrative expenses, a separate block grant for administrative expenses could also be established exclusively for the Food Stamp Program in lieu of the more comprehensive approach. This could be done even if the overall State option block grant, discussed previously, were not adopted.

Additionally, various options would be available to provide block grant funding of administrative expenses of all three programs, or just the Food Stamp Program. These could be achieved with or without a savings objective. States might be receptive to such a grant because of the potential elimination of time-consuming justifications for existing expenses which must be submitted to the respective Federal agencies.

*Tighter error rate sanctions for overissuances*

Error rates, which reflect both overissuances and underissuances, have been a significant problem in the Food Stamp Program for several years.

Overissuances alone, not including underissuances, account for 9.19 percent of all food stamp benefits issued, according to the most recent official figures from the Department of Agriculture. These benefits go to those who are either totally ineligible for food stamp assistance, or to those who, though eligible, receive more than the amount to which they are legitimately entitled.

The Omnibus Budget Reconciliation Act of 1982 established new error rate targets in the Food Stamp Program. States are now required to have overissuance error rates at or below 5 percent for fiscal year 1985 and for each fiscal year thereafter.

Under current law, States that fail to meet this error rate target will incur a penalty based on a reduction of the percentage of the Federal reimbursement for administrative costs for the program. The Federal Government pays for all benefit costs of the program and, generally, for 50 percent of administrative costs.

The Reagan administration had initially proposed in 1982, in S. 2392, that the error rate tolerance level be established at a lower rate than that finally agreed on, with a phase-down of the tolerance level to zero over 3 years. Specifically, the administration had proposed an error rate tolerance level of 3 percent for fiscal year 1983, decreasing by one percentage point per year until, by fiscal year 1986, States would be responsible for reimbursing the Federal Government for all overissuance errors. Additionally, the original administration recommendation, unlike that adopted, provided that the basis for the sanction calculation was to be the actual dollars overissued, rather than a percentage of administrative expenses.

A proposal to establish a zero error rate immediately in fiscal year 1983—with States reimbursing the Federal Government for all overissuances—was proposed in S. 2352 by Senator Jesse Helms (R-North Carolina) in 1982.

The President's Task Force on Food Assistance recommended in January 1984 that the error rate sanction be strengthened by requiring States to be fully responsible for overpayment errors above 5 percent. Under the task force recommendation, the basis for sanctions in the program would be the actual value of dollars overissued above the tolerance level, rather than the share of administrative expenses. Essentially, the task force recommendation for the basis of the sanction, actual dollars overissued, was the same as that which the administration had initially proposed in 1982 and each year subsequently, although the tolerance level, 5 percent, was different, higher, than the administration's proposals.

The General Accounting Office reported in 1984 that the existing Food Stamp Sanction Program results in proportionately smaller sanctions for the same degree of error than the AFDC and SSI Programs. (See "Federal and State Liability for Inaccurate Payments of Food Stamp, AFDC, and SSI Program Benefits," GAO/RCED-84-155, April 25, 1984.) The GAO noted that this was because of: One, the Food Stamp Program's higher target error rate—AFDC's error rate is 3 percent, SSI's is 4 percent; and two, because of its specific procedures for calculating sanction amounts based on a percentage of federally reimbursed administrative costs instead of the amount of benefits issued as in the AFDC and SSI Programs. The GAO also reported that despite the sanction systems in both the AFDC and Food Stamp Programs, States had not actually reimbursed the Federal Government for any sanction amounts. Since the GAO report, one State—Connecticut—has reimbursed the Federal Government for the food stamp sanction, but is appealing the sanction through the courts.

The administration's fiscal year 1984 and fiscal year 1985 recommendations for the Food Stamp Program, introduced as S. 1208 and S. 2925 respectively, proposed to lower the error rate tolerance level to 3 percent. The administration also proposed to change the method of calculating the sanction the same way as it had in 1982, that is, that the sanction should be based on actual dollars overissued above the tolerance level—not just on a percentage of administrative expenses. Similiar proposals were included in both S. 1727 introducted by Senators James McClure (R-Idaho), Jake Garn (R-Utah), and Bill Armstrong (R-Colorado) and S. 1993 introduced by Senator Jesse Helms (R-North Carolina).

In an attempt to reduce overall Federal spending, one obvious advantage of the error rate sanction program—and proposed modifications—is that it does not effect benefits of legitimate recipients. Rather, it is argued, that States will be given additional incentive to ensure that they administer the program in an effective and efficient manner. At the present time, the Federal Government, and thus Federal taxpayers, absorb most of the loss of any overissuances which occur in the States. As noted earlier, in recent years, these costs have been approximately $1 billion per year.

It is argued that one way to reduce these issuance errors is to increase the incentive for improved State management as recommended by the President's Task Force on Food Assistance. Several witnesses from both the Grace Commission, the General Accounting Office, and the Office of Inspector General of the Department of Agriculture have noted that increased State attention to overissuance errors would likely result from tightened error rate tolerance sanctions.

The Grace Commission report stated:

> The Food Stamp Program is the only major welfare program whose benefits are 100 percent funded by the Federal Government, yet which is administered at the state and local levels. Findings * * * indicate that States must be provided with greater incentives to reduce errors in the Food Stamp Program.

Dr. John Raisian, executive director of the President's Task Force, testified on March 21 and answered questions about the incentive feature of the increased sanction. Said Dr. Raisian:

> What we do find in our daily lifetime circumstances is that oftentimes when a penalty goes up, people do respond to the size of the penalty. In the case of sanctions of individual States being responsible for errors in excess of 5 percent, I would emphasize that there will be a doubling in the size of the sanction relative to the current situation only if there were no responses. Now, presumably, if that penalty is sufficiently high, then there would be a sizable response * * *

It is argued that it should not be surprising that States have higher food stamp error rates than in other Federal programs. Typically, States assign fewer workers to handle food stamp cases than other welfare cases. Other programs are frequently computerized before consideration is given to food stamp computerization. If such computerization takes place, the automation is usually far behind that employed, even in the same State, for other welfare programs. States, like other entities, respond to incentives. In all probability, not all States would be subjected to actual fiscal penalties if the error rate sanction system were tightened. Rather, it is suggested, States would improve their administration of the Food Stamp Program.

The projection for overissuances in the Food Stamp Program under the current law system, both in dollars and as a percent of benefits, is as follows:

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| In millions | $850 | $869 | $885 | $903 | $919 |
| As percent of benefits | 7.8 | 7.6 | 7.4 | 7.2 | 7 |

Tightening of the sanction method, as proposed by the President's Task Force on Food Assistance, would result in the following savings, as calucluated by the Congressional Budget Office. This assumes maintaining the present 5 percent error rate toterance level.

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 305 |
| 1987 | 297 |
| 1988 | 97 |
| 1989 | 99 |
| 1990 | 89 |

The following table demonstrates the estimated savings from lowering the error rate *and* tightening the sanction method, as described above.

[NOTE.—These estimates are based on implementation in fiscal year 1986. The estimate assumes that sanctions imposed would be collected in the same year the liability occurs—as has been specified in several previous bills. If the liabilities were *collected* in the following year, the net impact would be zero in fiscal year 1986, and the savings in later years would be larger.]

[Savings in millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| Percent. | | | | | |
| 4 | 414 | 412 | 217 | 224 | 221 |
| 3 | 523 | 526 | 337 | 349 | 352 |
| 2 | 632 | 641 | 456 | 475 | 483 |
| 1 | 741 | 755 | 576 | 600 | 614 |
| Zero | 850 | 869 | 695 | 726 | 746 |

### *State liability for underissuances*

A corollary issue with regard to error rates is how to bring about an improvement in the *underissuance* error rate among States. The underissuance rate of 2.5 percent, or about $250 million annually, represents the percentage of benefit dollars which *should* have been issued to eligible recipients but were not.

In overissuance cases, a high percentage of errors are caused by recipients who inadvertently or deliberately provide inaccurate information. Intentional misrepresentation typically occurs when households provide incorrect information usually in the form of understating the household income or overstating household size. Other overissuances result from inaccurate calculations by the State agency administering the program. In underissuance cases, however, most of the errors are the result of inaccurate calculations and benefit determinations by State agency personnel.

Levels of underissuance vary a great deal from State to State, from a low of 0.16 percent in Nevada to a high of 4.33 percent in the District of Columbia. While the national overissuance error rate has been declining somewhat in recent years, the national underissuance rate has remained fairly consistent at between 2.3 and 2.6 percent. The Congressional Budget Office assumes that the underissuance rate in each of the next 5 years will be 2.35 percent.

Prior to fiscal year 1983, the underissuance rate was included in the overall error rate targets that States had to meet in order to avoid a sanction. However, with the implementation of the new error rate sanction system, underissuances are no longer included.

One means of encouraging better State administration to prevent underissuances could be to establish State liability for underissuances. Under such a system, the State would pay the Federal Government an amount equal to the percent of underissuances determined in the quality control sample, multiplied by the total dollar value of benefits issued in the State.

The Congressional Budget Office estimates that sanctions from such a system would result in the following reduction in cost of the Food Stamp Program:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 256 |
| 1987 | 269 |
| 1988 | 281 |
| 1989 | 295 |
| 1990 | 308 |

[NOTE.—For purposes of estimating the budget impact, the CBO assumed that all of the budget impact would be from actual sanctions imposed. However, it is possible that only part of the savings would be the result of sanctions paid by States with part of the savings attributable to improved administration and foregone underissuances; that is, with correct, higher, benefits paid to recipients.]

### *State match of food stamp benefit costs*

Much of the debate in the Congress during the early days of the Food Stamp Program concerned the question of whether to require State contributions to fund the Food Stamp Program. Attempts were made in the House of Representatives to set the State matching requirement at 50, 20, and 10 percent. Unlike other Federal welfare programs, such as AFDC and Medicaid, which require State contributions, benefits under the Food Stamp Program are 100 percent federally funded. Reasons for the State match were discussed by proponents of the concept during the House floor debate in 1964, 1967, and 1969, as cited elsewhere in this print.

Congressmen in favor of a State match typically argued that without a State financial investment in the program, States would not be concerned with the costs, since the Federal Government would bear all the costs of benefits. For instance, Representative Page Belcher (R-Oklahoma) noted during the debate on May 15, 1967:

> One of the reasons this program is going to escalate rather fast is because that up to the present time [before the amendment was attached to the committee-reported bill requiring 20 percent participation by the States] the States would certainly certify everyone in the world whom they felt could possibly qualify to participate in this program, because it did not cost the States anything. * * *
>
> In my opinion if we require the States to pay or contribute a small part of this program, the States are going to be a little more careful as to whom they certify and people who are actually entitled to participate in the program will receive more of an opportunity to come under its provisions.

Representative Catherine May (R-Washington) noted:

> The States have at their disposal nearly every means of raising revenues that is possessed by the Federal Government. More important, State and local cost sharing will bring greater local responsibility and control into the operation of this program.

In the case of the Food Stamp Program, it is argued that State officials have often opposed legislative attempts, by various administrations and Members of Congress, to tighten program administration, eligibility, and benefit levels. In other programs where States share the costs, State officials, by contrast, often have been at the forefront of those demanding restraint in program growth, tighter eligibility, and less expensive benefit levels.

Another, more contemporary, argument in favor of a State matching requirement is that States are more financially able to support programs in light of the general condition of surpluses in budgets among the States; that is, budget surpluses, compared to the mounting Federal budget deficits.

The Congressional Budget Office has estimated the savings to the Federal Government for each 5 percent which States might be required to contribute to help finance the Food Stamp Program as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 545 |
| 1987 | 572 |
| 1988 | 598 |
| 1989 | 627 |
| 1990 | 656 |

*Workfare for able-bodied food stamp recipients*

In 1981 and 1982 Senator Jesse Helms (R-North Carolina) introduced legislation (S. 884 and S. 2352) to require that able-bodied food stamp recipients perform community service work, workfare, in exchange for their food stamp benefits. Similar legislation, sometimes including other Federal public assistance programs, has been introduced in the House.

In 1983 for fiscal year 1984 and as a proposal for fiscal year 1985 the Reagan administration recommended that able-bodied food stamp recipients be required to perform community service employment—in a Community Work Experience Program [CWEP]—in exchange for their monthly food stamp benefits. Similar purposals were introduced for able-bodied AFDC recipients.

Simply stated, workfare, or CWEP, is a program whereby unemployed able-bodied adult recipients—not caring for very young children—are required to perform some purposeful community service in return for the benefits they receive. Efforts to establish food stamp workfare pilot projects were led by Representative Paul Findley (R-Illinois).

The existing Food Stamp Act provides States and local communities with the option to implement workfare. This provision was added by the Agriculture and Food Act of 1981 (Public Law 97-98). The Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35) established optional workfare programs for recipients of the Aid to Families with Dependent Children Program.

Under the food stamp workfare system, a recipient household's food stamp monthly benefit is divided by the minimum wage to determine the number of hours per month that the able-bodied household member or members must work in a workfare assignment.

Under a mandatory approach, States and localities would no longer have discretion with regard to setting up a workfare program, but they would be required to implement such a program for able-bodied food stamp recipients.

Several advantages of a workfare program have been cited by proponents of this approach.

Any State or local government operating workfare receives the benefits of the public service performed—work it otherwise probably could not have afforded. Indeed, in order to afford such work, local property taxes might have to be raised.

The taxpayer receives the benefits of the community service provided as well as the satisfaction of knowing that his tax dollars are being well spent; that is, that the only able-bodied recipients on the rolls are those who are willing to work for their benefits.

The recipient earns increased self-esteem and gains exposure to the workplace and the discipline provided by regular employment. The recipient is also provided with increased incentive to seek regular employment.

The ultimate objective of workfare is to encourage recipients to obtain regular employment, not simply to require public service work indefinitely. In this regard, the Department of Agriculture has concluded from its analysis of the workfare pilot projects, that recipients subject to a workfare requirement left the food stamp rolls faster than similar people in communities without a Workfare Program. Presumably, much of this more rapid exodus is because of the incentive to find regular employment.

Indeed, it is suggested, workfare participants are likely to learn skills to which they were not previously exposed. Workfare participants build a history of employment, which is especially important to the chronically unemployed.

Workfare proponents contend that workfare can be critical in changing attitudes and raising individual self-esteem—qualities which make the participant more employable in the regular work force. Often times, after workfare recipients have demonstrated responsibility, they are hired, often by the very agency for which they initially worked.

The Department of Agriculture reported from its pilot program survey that 77 percent of all persons referred to workfare believe that able-bodied people receiving food stamps should have to work in exchange for the food stamps they receive.

Thirty-five percent of those who worked at workfare job sites, in the Department's pilot project survey, thought workfare would help them get a job later, primarily by building skills or providing contacts with potential employers.

Some argue that in the past, many welfare professionals have relegated welfare recipients into almost perpetual public dependency. Several authors have written of such individuals as a permanent underclass in our society. Workfare's greatest long-term potential may be in liberating such citizens trapped in the underclass. Prof. Lawrence M. Mead, assistant professor of politics at New York University, noted during committee testimony, "Workfare would help to integrate the underclass mainly by giving welfare recipients without work experience some work history on the basis of which they can more hopefully seek private-sector employment." (See "Mandatory Workfare Program for Abled-Bodied Food Stamp Recipients," Senate Committee on Agriculture, Nutrition, and Forestry, March 16, 1983.)

Professor Mead has also noted the psychological impact of workfare on participants.

> Unless recipients, who are able to work and otherwise function socially in ways other Americans normally expect of one another, they cannot be accepted as equals in everyday life no matter how high the programs raise their income.
>
> The permissive character of programs is one reason their costs and caseloads have proven difficult to control; to recipients the benefits are free goods that may be claimed without corresponding costs. It is also one reason why an underclass with great difficulties in function has arisen in many American cities. The underclass has many causes, but one of them is that the welfare programs that support so many members of the group do not hold them accountable for good behavior in the way the marketplace does other Americans. Unconditional support perpetuates a welfare mentality in which recipients can attribute all of their problems to society rather than accept personal responsibility for their situation.

The current Food Stamp Workfare Program provides that the maximum amount of work required to fulfill a workfare obligation is 30 hours per week in combination with other employment, or another program's workfare requirements. This permits at least 10 hours per week for job search activities.

The food stamp workfare requirement does not apply to elderly or disabled participants, children under age 18, households with only one adult—generally female-headed households—caring for children under age 6, and certain other individuals. Nonetheless, the Department of Agriculture estimates that approximately 40 percent of all food stamp households contain able-bodied individuals who would be subject to a work requirement.

Current experience with workfare projects indicates that workfare jobs offer a wide variety of job opportunities. Workfare participants have been placed in public libraries, as assistants in various capacities with schools, as workers at Red Cross and Salvation Army offices and in other nonprofit organizations, as clerical workers, and in various departments of local government.

Ms. Blanche Bernstein, director of the Social Policy Research Institute of the New School for Social Research in New York, noted the job opportunities provided by workfare.

> The welfare client looking for a job is in a better position if he can show the prospective employer satisfactory work experience in a workfare program and a recommendation from his supervisor, than if all he can say is that he is on welfare. * * * In my view there is a significant potential for workfare to help people find other employment. It does provide work discipline and work experience which can be translated into other jobs.

The committee has heard testimony from representatives of a number of areas that have implemented workfare, including San Diego County, CA; Nashua, NH; Springfield, MO; Greenville, SC; Pineallas County, FL; and Moore County, NC. All have attested to the success of the program in those areas, including the receptivity of both taxpayers and workers to the work requirement.

Workfare programs can result in reducing the number of people participating in the Food Stamp Program and dependence on the program of others. Recipients are eliminated from the rolls either because they seek and find regular employment, the primary objective, or because they fail to comply with the work requirement. While workfare is not intended as a punitive tool, it is not unreasonable to assume that many of those who leave the workfare program do so because they do not really need welfare assistance, or in some cases, because they already have a job, albeit an unreported one.

States and localities have been reluctant to embark on the optional workfare program because of what they see as a lack of fiscal incentive; that is, the Federal Government saves money in workfare through reduced benefit costs, while there may be some increased administrative costs shared by both the State and Federal Government.

The primary objective of workfare is not budgetary; the net projected savings are rather modest. Rather, it is argued, workfare restores the work ethic to public welfare programs and would improve their integrity in the eyes of recipients and taxpayers alike.

The CBO estimate for a national mandatory workfare proposal is as follows:

[Saving in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 37 |
| 1987 | 65 |
| 1988 | 69 |
| 1989 | 73 |
| 1990 | 77 |

The administration's previous proposal would require States to establish workfare coverage for 75 percent of all eligible; that is, able-bodied recipients. Such a program would result in proportionately less savings.

### *Reinstate the purchase requirement for certain households*

Questions remain about the nutritional effectiveness of the Food Stamp Program. As noted previously, two issues are of concern, one, whether overall food expenditures are increased and two, if so, whether such increased food expenditures lead to improved nutrition.

Most of the studies of the program—with a purchase requirement in effect—found that overall food expenditures were increased. However, since elimination of the purchase requirement, indications are that any increase in food expenditures, if it still exists at all, is very small.

The nature of the purchase requirement was intended to encourage households to increase their food purchases. As noted in the history of the program, households were originally required to contribute up to 30 percent of their countable income to the Federal Government in return for the larger value food stamp benefits. This purchase requirement was eliminated by legislation in 1977. The elimination of the purchase requirement is widely regarded as the single greatest cause for the rapid expansion of both cost and participation of the Food Stamp Program since 1979.

Since the elimination of the purchase requirement, the program has come to be more of an income transfer program inasmuch as free food stamps are now more likely to replace money which might have been spent for food, freeing up some money for other, nonfood expenditures.

When the purchase requirement was in effect, a household had to buy an amount of stamps equal to the full value of the thrifty food plan by paying in cash up to 30 percent of its net income. Since the household then received stamps worth the full amount of the thrifty food plan, all households who received stamps had to spend at least this amount on food. However, after the elimination of the purchase requirement, a family would receive in stamps the difference between the full value of the thrifty food plan and 30 percent of its net income. Not only did the household not have to put up the cash, it no longer was obligated to spend an amount equal to the full value of the thrifty food plan for food purchases.

With the elimination of the purchase requirement, there is no longer any guarantee that recipients will spend any of their own money—cash—on food. Thus, there is no assurance that participating households are purchasing, with food stamps or cash, as much food as they were prior to 1979 relative to their income.

Various observations by the Congressional Budget Office and General Accounting Office about the effect of eliminating the purchase requirement have been cited in the earlier discussion of issues.

The elimination of the purchase requirement in 1977 was a subject of major controversy. Efforts to reinstate it have persisted in each year since. Since 1980, the focus of purchase requirement proponents has been on reinstating the purchase requirement for households other than those containing elderly and disabled households and those with exceptionally low income. The elderly and disabled were groups for whom increased participation was sought in the 1977 decision to eliminate the purchase requirement and who, in fact, responded with increased participation; the poorest households were less affected by the pre-1977 purchase requirement and would continue to be exempt under all of the reform proposals.

Following defeat of an amendment by Representative Steven D. Symms (R-Idaho) in 1980 to restore the purchase requirement for all households, except those with less than $30 in net income, an alternative was proposed. Representative Millicent Fenwick (R-New Jersey) proposed to reinstate the purchase requirement for all households except those with elderly or disabled individuals, and those with net incomes under $30 per month; the latter exemption had been a component of the previous program. Her amendment was also defeated. In 1981, 1982, and 1983, proposals were introduced in the Senate to restore the purchase requirement except for the households exempted by the Fenwick approach. In 1981, an amendment by Senator Steven D. Symms (R-Idaho), embodying this approach, was defeated in the Senate.

The primary argument advanced in favor of the purchase requirement is that it would restore the nutrition focus of the Food Stamp Program. As noted in the earlier discussion, since the elimination of the purchase requirement, the program's purpose has come to be more of an income transfer purpose than a nutrition purpose. Similarly, the connection between the Food Stamp Program and one of its initial purposes—that of reducing surplus commodities—is believed to have declined considerably. Restoring the purchase requirement would ensure that households spend for food the full value of the thrifty food plan.

The Congressional Budget Office estimates that the impact of reinstating the purchase requirement would be a savings of between $750 million to $1.25 billion per year when fully implemented. The CBO estimate is a range based on variations in the assumptions about how many households with relatively high purchase requirements would drop out of the program. The lower, $750 million figure, is based on an assumption that 60 percent of these households, added since the purchase requirement was eliminated, would leave the program. The higher estimate assumes that all of these new households, about 755,000 households, would leave the program. Both estimates exclude households with elderly and disabled individuals, and those with net incomes below $30 per month.

### *Sales tax collection*

Food stamp coupons generally can be used only for food items. Additionally, the longstanding policy, although not explicitly in the statute, has been to permit food stamp coupons to be used to pay for any sales taxes imposed on food by State or local governments on the food items purchased with the coupons.

Sales tax policy varies a great deal among the 50 States and the District of Columbia. Some States have no sales tax of any type on food, regardless of where it is purchased. Other States have policies which distinguish between food purchased in retail food stores, that is, grocery stores, and that purchased in restaurants, and subject food sales in the latter category to a sales tax. About one-third of the States have no sales tax on food. The remaining States have State or local sales taxes that would apply to some or all food purchases in grocery stores. These vary between a tax on all food purchases to taxes only on certain types of items.

The following table outlines the current sales tax policies in the States and the District of Columbia:

*State or local sales taxes on food*

| | |
|---|---|
| Alabama | 4 percent tax on all food items—optional 1 percent or more local tax discretion of the county. |
| Alaska | No tax on food, but there is a local option. |
| Arizona | No tax on food, but there is a local option. |
| Arkansas | 4 percent tax on all food items. |
| California | No tax on food, but 6 percent on soda, 6½ percent in certain transit districts. |
| Colorado | No State tax on supermarket foods—3½ percent added in some cities and counties. |
| Connecticut | No tax on food except 7½ percent on candy, soft drinks and meals served in restaurants or takeouts. |
| District of Columbia | No tax on food items purchases for home consumption. Items considered for immediate consumption, a half-pint container of milk, candy bars, and cans or bottles of soda smaller than a six-pack, are subject to an 8 percent sales tax. (No sales tax is charged on a quart container of milk, or a liter container of soda or fruit drink as these are considered to be for home consumption.) |
| Delaware | No tax on food. |
| Florida | No tax on food items except 5 percent on prepared foods, soda, candy, and novelty ice cream. |
| Georgia | 3 percent on all food items—local option 1 percent and 1 percent add-on in some counties. |
| Hawaii | 4 percent tax on all food items. |
| Idaho | 4 percent tax on all food items. |
| Illinois | No tax on food stamp purchases. |
| Indiana | No tax on food except 5 percent on candy, gum, soda, confections, cocktail mixes, ice and takeout foods. |
| Iowa | No State tax on supermarket foods—No tax in cities and counties. |
| Kansas | 3 percent State tax on supermarket foods—.05 to 1 percent added in some cities and counties. |
| Kentucky | No tax on staple food, but 5 percent on candy, gum and soda. |
| Louisiana | No State tax on food—variable city taxes (as well as variable parish taxes). |
| Maine | No tax on food, except 5 percent on meals and beverages served in restaurants or takeouts. |
| Maryland | No tax on food except 5 percent on soda and confectionary and candy items. |
| Massachusetts | No tax on food, except 5 percent on meals and beverages served in restaurants or takeouts. |
| Michigan | No tax on food, except 4 percent on seeds, plants, ice, cocktail mixes, and distilled and mineral water. |
| Minnesota | Not tax on food except 5 percent on gum and distilled water, bags of popcorn, and sandwiches. |
| Mississippi | 6 percent on all food items. |
| Missouri | 3 percent State tax on supermarket foods—2½ percent added in some cities and counties. |
| Montana | No State tax on supermarket foods—No tax in cities and counties. |
| Nebraska | No State tax on supermarket foods—No tax in cities and counties. |
| Nevada | No tax on food. |
| New Hampshire | No tax on food, except 7 percent meals charge on restaurants or takeout meals. |

*State or local sales taxes on food*—Continued

| | |
|---|---|
| New Jersey | No tax on food except 5 percent on confectionary items such as candy, toppings, chocolate-covered peanuts and soda. |
| New Mexico | 4 percent tax on all food items, some additional city taxes. |
| New York | No tax on food except 5¼ to 8¼ percent on candy, fruit drinks, distilled water, chewing gum, soda and prepared sandwiches. This varies by county and city. |
| North Carolina | 4 percent tax on all food items—additional .05 to 1 percent local option in some counties. |
| North Dakota | No State tax on supermarket foods—no tax in cities and counties. |
| Ohio | No tax on food except 5 percent on seeds, gum, soda, distilled water and some additional local taxes such as additional .05 percent in Franklin and Hamilton counties. In Cuyahoga County the added tax imposition is 1½ percent. |
| Oklahoma | 3 percent tax on all foods items. |
| Oregon | No tax on food. |
| Pennsylvania | No tax on food except 6 percent on soda, fruit drinks and candy. |
| Rhode Island | No tax on food except 6 percent on candy, confections, soft drinks, fruit or artificial drinks, glazed dried fruits, restaurants or takeout meals. |
| South Carolina | 4 percent tax on all food items. |
| South Dakota | 5 percent State tax on supermarket foods—15 added in some cities and counties. |
| Tennessee | 5.5 percent on all food items—1½ percent local option in some counties (tax exempt on seeds which produces food for home use). |
| Texas | No tax on food except 4 percent on prepared foods, plus a local option. |
| Utah | 4½ percent State tax on supermarket foods—1¼ percent added in some cities and counties. |
| Vermont | No tax on food except 3 percent on yeast, food coloring, soda extract, and ice. Also, 6 percent on restaurant or takeout meals. |
| Virgin Islands | No tax on food. |
| Virginia | 4 percent on all food items. |
| Washington | No tax on food except 5½ percent on soda, seeds and plants, ice, bottled water, dietary supplements, and fast foods, plus a local option. |
| West Virginia | No tax on food except 5 percent tax on takeout food. |
| Wisconsin | No tax on food stamp purchases. |
| Wyoming | 3 percent State tax on supermarket foods—1 percent added in some cities and counties. |

Source: U.S. Department of Agriculture.

The Congressional Budget Office estimates that about $107 million of the food stamp benefits issued during fiscal year 1986 will be spend by recipients in order to pay the State sales taxes on food. The effect of these sales taxes on recipients—in States that impose a sales tax on food—is, in effect, to provide less buying power than that established by the thrifty food plan. For instance, in States imposing a 4-percent sales tax on all food purchases, the real buying power for recipients in the grocery store is the equivalent of 96 percent of the thrifty food plan. From a Federal perspective, the existing policy serves as an indirect Federal subsidy to those State and local governments imposing a sales tax on food.

Senator Robert Dole (R-Kansas) and 9 cosponsors introduced S. 3017 on October 5, 1984, which, among other provisions, required

States to reimburse the Federal Government for the portion of food stamp purchases that actually went to pay for these State sales taxes. Under S. 3017, the Secretary of Agriculture would be responsible for establishing a formula to determine the amount each State would be required to reimburse the Federal Government each year.

The impact of such a proposal on overall food stamp costs would be the following, as estimated by the Congressional Budget Office:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 107 |
| 1987 | 113 |
| 1988 | 119 |
| 1989 | 123 |
| 1990 | 129 |

The CBO estimate assumes that all State governments would continue their present policy of taxing food stamp food purchases. However, the savings to the Federal Government would be reduced, or eliminated, if some or all States opted to discontinue sales taxes on food, or at least on food purchased with food stamps—as is the policy in Illinois and Wisconsin. However, if States eliminated their sales taxes on food stamp purchases, food stamp recipients would have increased buying power with their monthly food stamp allotments.

This option could be broadened further to require reimbursement to the Federal Government to account for local sales taxes as well.

Another, more complex solution was proposed by Senator Walter D. Huddleston (D-Kentucky) and five cosponsors in S. 2607. The Huddleston bill would also require the States to reimburse the Federal Government for State sales taxes imposed on food stamp purchases. However, the Huddleston approach would also require the Secretary of Agriculture to adjust (that is, raise) food stamp benefits within those States that have State sales taxes by a comparable amount. Thus, there would be no Federal savings.

Another variation, without any savings to the Federal Government, would be to prohibit the use of food stamps to pay for any applicable sales taxes. In such cases, States could either decide not to impose a sales tax on food stamp purchases, or recipients would be required to pay any applicable taxes in cash, not with food stamps.

### *Recoupment*

One cost-savings concept which has been advocated in the Congress, primarily by Representative James Jeffords (R-Vermont), has been to require food stamp recipients to pay back some or all of the food stamp benefits they receive during a calendar year if their adjusted gross annual income for that year considerably exceeds the poverty line by some percentage—200 percent and 175 percent in two Jeffords' proposals.

When the Jeffords plan was first proposed in 1977, households were eligible for food stamps if their net income—after various deductions from gross income—was less than the appropriate poverty line for their houshold size. Eligibility was determined on a monthly basis. It was possible, therefore, for a household with a low net, monthly income during part of a year to be legally entitled to food stamps for that period, and yet have a gross, annual income for the entire calendar year that was considerably above the eligibility guidelines.

A direct gross income test—at 130 percent of poverty—was established in 1981 for most households except those containing an elderly or disabled member. However, it is still possible for households who are eligible for food stamp participation during several months of the year to have annual income that far exceeds the food stamp eligibility levels. This is particularly true with households that have highly seasonal earnings or spells of unemployment and therefore that could be eligible for food stamps in some months but have a yearly income significantly higher than the poverty line.

The original Jeffords plan specified exactly how recoupment would be implemented. A key element of the plan was a tie-in between the Food Stamp Program administration and the Federal income tax system. Collection, or recoupment, of excess food stamp benefits would be achieved through the tax system, either by reducing any tax refund owed to the taxpayer who participated in the Food Stamp Program or by collecting the amount owed.

The Department of Agriculture estimated in 1979 that about 5 percent of all households would be subject to recoupment procedures under the Jeffords plan. (See "Recoupment in the Food Stamp Program," Office of Policy, Planning and Evaluation, Food and Nutrition Service, U.S. Department of Agriculture, September, 1979.) A similar amendment by Representative Jeffords in 1980 to establish recoupment was adopted in the House, but dropped in conference.

The underlying reason for a recoupment system has been a general concern that food stamp benefits should be available only to those who truly need them, and only to the extent of the actual need. The recoupment system would permit individuals to participate during times of economic hardship—such as unemployment—but would expect that if their overall financial condition at the end of year had been relatively good; that is, over 200 or 175 percent of poverty, under the Jeffords approach—they would be expected to pay back an amount equal to part or all of the food stamp assistance which had been received.

Recoupment would have the effect of reducing the benefits that certain households receive in the long run, after annual repayments have been settled. Since most of these households would be near the upper end of income poor only in the short term, the proposal would concentrate a larger share of benefits on long-term recipients. The use of the Internal Revenue Service has been recognized in the income tax refund offset for collection of delinquent debts enacted in 1984 and the collection of delinquent child support payments in 1981.

The Congressional Budget Office estimated in 1981 that the net savings to the Federal Government from the establishment and implementation of a recoupment sytem could reach about $140 million annually, if annual gross income was above 175 percent of poverty. A revised estimate has not been included because of the complexity of estimating a current projection of savings.

### *Taxation of food stamp benefits*

An alternative method for addressing the same fundamental issue as that addressed in recoupment would be to include the value of food stamp benefits received as income for purposes of Federal income taxation. This approach has been urged by those who note that all cash and in-kind benefits provided through the public welfare system are excluded from income for tax purposes. An array of benefits can be received by those who participate in various programs, especially when the value of benefits in those programs is not counted for tax purposes. Yet recipients of public aid may, in many cases—because of free food, housing, or other benefits—have economic circumstances that are comparable to those of other, working Americans who pay taxes on their earned, and unearned, income and who do not receive welfare benefits. Taxation of the broad range of welfare benefits as unearned income could establish equity between those receiving such benefits and those who do not.

The inclusion of such benefits as income would not affect most individuals with the lowest incomes. They would still be without any tax liability. However, those with combined welfare and other income at or above taxable rates would be subject to taxation.

No budget impact for this option has been obtained.

## CHANGES IN THE THRIFTY FOOD PLAN

### *Revise the "family makeup" of the thrifty food plan to account for differences in nutritional need*

As noted earlier, monthly food stamp benefits are established based on the cost of a low-cost nutritionally adequate diet (the thrifty food plan) required to feed a legislatively established family of four consisting of a man and a woman, ages 20–54, and two children, ages 6–8 and 9–11. While this four-person household is the basis for the national food stamp allotment, it does not represent a typical food stamp household. Department of Agriculture studies have shown that allotments based on this four-person household exceed the sex and age specific thrifty food plan cost for 75 percent of actual food stamp households.

The following table outlines the actual participation in each of 12 groups, as surveyed most recently by the Department of Agriculture (August 1982):

[Percent of recipients]

| | |
|---|---|
| Children: | |
| Less than 1 year | 0.187 |
| 1 to 2 years | 8.997 |
| 3 to 5 years | 9.996 |
| 6 to 8 years | 8.518 |
| 9 to 11 years | 8.075 |
| Male: | |
| 12 to 14 years | 3.696 |
| 15 to 19 years | 5.198 |
| 20 to 54 years | 10.778 |
| 55 and over | 3.425 |
| Female: | |
| 12 to 19 years | 9.646 |
| 20 to 54 years | 24.145 |
| 55 and over | 7.743 |

Several recommendations regarding the calculation of the thrifty food plan and the subsequent determination of maximum food stamp benefits have been made in recent years.

The Congressional Budget Office noted in 1977:

> Providing applicant food stamp households an allotment level determined by the specific sex and age characteristics of the household would significantly reduce Federal bonus costs and presumably come closest to targeting benefits on specific nutritional needs. (Food Stamp Program: Income or Food Supplementation?, Congressional Budget Office, January, 1977.)

The General Accounting Office has also reported that one method to target food stamp benefits would be to establish allotments on an individualized basis so that a recipient household's basic allotment level would equal the cost of the thrifty food plan calculated for the number, sex, and ages of the members of that particular household. The GAO noted that under the present system, some households get food stamps in excess of their needs while other households get too few relative to their needs. The GAO found that overall, average uniform food stamp allotments exceed appropriate thrifty food plan costs by 9 percent and that households with various compositions could receive monthly benefits equal to between 82 to 164 percent of their monthly thrifty food plan costs. (See "Federal Domestic Food Assistance Programs—A Time For Assessment And Change," CED-78-113, June 13, 1978.)

Under the GAO recommendation, food stamp benefits would be issued based on the actual age and sex characteristics of participating households rather than on the uniform, four-person household, as at present. The GAO recommended that demonstration projects be undertaken to test administrative procedures for individualized food stamp allotments, and if these projects show administrative feasibility, that Congress authorize the Secretary of Agriculture to implement individualized food stamp allotments nationwide. However, no such projects have been carried out.

The Congressional Budget Office estimates the following savings from implementation of the GAO approach:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 1,180 |
| 1987 | 1,239 |
| 1988 | 1,296 |
| 1989 | 1,358 |
| 1990 | 1,422 |

The Task Force on the Department of Agriculture of the President's Private Sector Survey on Cost Control (the Grace Commission) also identified the existing determination of food stamp benefits as one aspect of the program that could be improved.

The Grace Commission considered three alternatives to the present system.

> *Best four-person family.*—Rather than continuing with the four individuals who best represented a family 10 years ago, choose the highest frequency categories represented by current participant demographics.

> *Best three-person family.*—Since today's household averages 2.6 people, select the three individual categories that have the highest participant frequency.
>
> *Weighted average family.*—A weighted average per person benefit can be calculated across the age/sex groupings tabulated by the Food and Nutrition Service annually. This would be determined based on the proportion of actual recipients in each of the 12 age-sex categories according to the most recent participation data times the monthly cost for each of the 12 age-sex categories. This individual benefit multiplied by four would be the new thrifty food plan base for food stamp allotments.

The Grace Commission concluded:

> Much attention is focused on finding the nutritional requirements per individual and on updating allotments to reflect the impacts of inflation. While these latter factors are important, the most valid criticism of the Food Stamp Program is that, in practice, benefits are distributed which are well beyond stated requirements. The largest cause of this is the continuing assumption that participating households are comprised of an outdated family of four.

The Grace Commission proposed to replace the current four-person family as the basis for the maximum allotment levels with a more individualized system based on a weighted average of thrifty food plan costs for all the age/sex categories used in developing the plan—the third alternative. The weights used would be the proportions of actual participants in each category. Maximum allotments for households of other sizes would be based on this weighted average four-person household value, and would be calculated using the current method (that is, using economies of scale, although separate reforms were urged in this area as well). The task force report noted that this method would most simply and realistically reflect individual characteristics of program participants. The Congressional Budget Office estimates the following savings from this proposal:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 739 |
| 1987 | 769 |
| 1988 | 798 |
| 1989 | 829 |
| 1990 | 860 |

### *Economies of scale*

The statute currently permits the Secretary of Agriculture to make adjustments in the allotments for food stamp households (other than the standardized four-person household) to reflect economies of scale. These economies of scale have generally been viewed as providing larger allotments to smaller size households to reflect higher per unit costs associated with smaller packaging, greater expectation of food waste, and other factors. The Secretary has established the existing economies of scale as providing 20 percent more than the per person benefit for one-person households, 10 percent more for two-person households, and 5 percent more for three-person households. Because it is assumed under the economies-of-scale rationale that larger families can achieve lower per person costs, the Secretary has determined to reduce allotments by 5 percent for households with 5 and 6 persons, and by 10 percent for households with 7 or 8 persons.

The Grace Commission also recommended that economies-of-scale factors should be modified to bring them more in line with actual differences in purchasing costs that occur based on family size.

Following is a table outlining the current economy-of-scale factors contrasted with those recommended by the Grace Commission:

ADJUSTMENT OF ECONOMIES-OF-SCALE FACTORS

| | Scale | |
|---|---|---|
| | Current | Proposed by Grace Commission |
| Household size: | | |
| 1 | 120 | 109 |
| 2 | 110 | 105 |
| 3 | 105 | 101 |
| 4 | 100 | 100 |
| 5 | 95 | 99 |
| 6 | 95 | 98 |
| 7 | 90 | 97 |
| 8 | 90 | 97 |

Under the Grace Commission proposal, smaller size households (one-, two-, and three-person households), would have their allotments reduced, relative to existing standards, while larger households (five persons and above) would receive increases.

Because participation by smaller size households is more frequent than among larger size households, the net impact of the change would be a significant cost savings. The Congressional Budget Office estimates the following savings from the Grace Commission recommendation with regard to changing the economies of scale:

[Savings in millions of dollars]

| | |
|---|---|
| Fiscal year: | |
| 1986 | 166 |
| 1987 | 173 |
| 1988 | 180 |
| 1989 | 187 |
| 1990 | 194 |

*Minimize use of food consumption data in developing an alternative thrifty food plan*

The current thrifty food plan is influenced by three factors: The nutritional value of the food (that is, high nutrition), food costs (that is, low costs), and food preferences of low income households. The latter factor is determined from periodic household food consumption surveys made by the Department of Agriculture. The present thrifty food plan is composed of an assortment of foods that represents as little change from average food consumption of persons in U.S. households with relatively low food costs as was required to provide a nutritious diet while controlling costs. In essence, the current thrifty food plan represents a combination of what low-income Americans prefer to eat combined with considerations of cost and nutrition, rather than what they should eat based exclusively on cost and nutrition. The present reliance on food consumption patterns tends to increase the overall cost of a "low-cost" nutritious diet.

Variations on the existing thrifty food plan could be devised if selections of food within the revised plan were from food groups which are nutritious and less expensive, rather than from selections typical of those preferred in survey households.

The use of food consumption survey data could be reduced or eliminated to establish a revised low-cost diet plan which could serve as the basis for food stamp benefits.

No specific alternative plan is included in this option, and thus no CBO estimate is available.

*Regional variations*

The Food Stamp Program through 1970 provided essentially two thrifty food plans—one for Southern States and a separate, higher one for Northern and Western States. The distinction was based on the perceived difference in food prices between the two regions of the country.

The existing Food Stamp Program recognizes large differences in food prices in noncontinental areas. Alaska, Hawaii, Guam, and the Virgin Islands each has a separate, higher thrifty food plan from the continental United States. Indeed, the thrifty food plan for Alaska is further divided to distinguish between urban and rural areas of the State.

However, it may be possible to establish variations which would reflect different food prices in specific areas of the country. For instance, distinctions might be made between urban and rural areas. Benefit levels might be pegged to price information provided for metropolitan statistical areas by the Bureau of Labor Statistics. Future food consumption surveys might include information on regional differences in consumption—if the survey data continue to be used in setting the thrifty food plan—thus providing information for use in establishing regional variations in benefit allotments.

No specific alternative is included in this option, and thus no CBO estimate is available.

*Changes in the benefit reduction rate*

Since the elimination of the purchase requirement, an underlying principle of the Food Stamp Program has been that households spend 30 percent of their net income for food. Food stamp benefits are designed to make up the difference between that amount and the amount needed for a low-cost adequate diet based on the thrifty food plan. Presumably, the household is spending 30 percent of its net income for food purchases so that the entire amount of food purchased—with coupons and with cash—will equal the full value of the thrifty food plan.

The single benefit reduction rate of 30 percent was established in the 1977 reform bill and was set at a level that was supposed to reflect the proportion of income a food stamp household spends on food in the absence of the Food Stamp Program. Because the benefit reduction rate is taken on net, rather than gross income, however, the effective benefit reduction rate is lower, between 17-25 percent of gross income.

Estimates from the most recent food consumption survey (1977-78) indicate that households with monthly incomes below 130 percent of poverty spend nearly 39 percent of their income on food. Thus, under a 30-percent benefit reduction rate, households do not have to contribute as much of their income toward their food budgets as nonparticipating households with the same income do or as they would if there were no Food Stamp Program. This means that food stamp households have cash available for the purchase of nonfood items that, except for the program, would be deemed to cover food costs. Increasing the benefit reduction rate could address this situation by more accurately reflecting real purchasing patterns among low-income families and insuring that food stamp benefits do not subsidize nonfood purchases.

In 1981, the House adopted a 33 percent benefit reduction rate as part of the Gramm-Latta substitute to the omnibus budget reconciliation bill. In 1982, the Reagan administration proposed (in S. 2392) to raise the benefit reduction rate to 35 percent. Senator Jesse Helms (R-North Carolina) proposed a 33 percent benefit reduction rate in S. 2352 in 1982. None of these was adopted into law.

The Congressional Budget Office estimates the savings from increasing the benefit reduction rate are approximately $200 million per year for each percentage point increase in the benefit reduction rate, as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 191 |
| 1987 | 201 |
| 1988 | 210 |
| 1989 | 220 |
| 1990 | 230 |

## INDEXING

Various proposals have been discussed in Congress for freezing, delaying, or reducing the indexing of programs that currently have automatic increases through indexation. As noted previously, several aspects of the Food Stamp Program are indexed—benefits, deduction limits, and eligibility standards.

Indexation is important to overall program costs. Approximately 50 percent of the program's increased costs since 1971 has been a result of indexing. While the impact of high inflation during the 1970's greatly contributed to these higher costs, even low inflation rates result in significant increased costs. Over half a billion dollars of the fiscal year 1986 costs of the program will be attributable to indexing (over 1985 levels), even though the inflation rate is estimated to be under 4 percent.

The overall impact of indexing (of benefits and deductions limits) on individual monthly benefits can be relatively small—$1 or $2 per month—while the cumulative budget impact for 20 million participants is quite high.

Efforts to restrain program costs have often focused on indexing since reforms in this area can result in significant aggregate savings with relatively little adverse impact on recipients. In particular, most indexing changes result in signficant savings without reducing benefits. Instead, further increases are postponed or scaled back.

Limitations on indexation of food stamp benefit and deduction levels were a key component of legislation in 1980, 1981, and 1982 to slow the overall cost of the Food Stamp Program just as the implementation of indexing in 1971 and its further expansion in 1973 had served to increase program costs.

Indexing in the Food Stamp Program is fairly unique among Federal welfare programs. Neither AFDC nor Medicaid provides any type of indexation, although the SSI Program does. Indexing among Federal programs is used more frequently in various retirement programs, such as Social Security.

The method of indexing now used in the Food Stamp Program—and elsewhere—is to provide that factors of the program are indexed to changes in prices, as reflected by changes in the Consumer Price Index or certain portions of it. About one-third of all Federal expenditures, it has been estimated, are linked to changes in the Consumer Price Index. Attention has been given to the possibility of other methods of providing for indexing, including the use of wages, rather than prices, as the basis for changes.

Four broad areas will be outlined with regard to indexing issues. These four areas are wage indexation, a switching standard in which the lower of wage or price changes is used, postponement of indexing, and freezing or eliminating further indexing.

### *Change to a wage-based form of indexation*

Cost-saving concerns with indexation have tended to focus on whether existing procedures for indexation to reflect changes in prices are overly generous to recipients (of indexed programs) relative to the similar burden of higher prices being borne by wage earners (many of whom have no assurance of indexed earnings).

Food stamp benefits, deduction limits, and eligibility standards are all indexed to the Consumer Price Index or certain portions of it. (NOTE.—The portion of that index representing homeownership costs is excluded for purposes of calculating the indexing.)

Indexing using prices as a base typically results in Federal beneficiaries being fully compensated for rising prices. However, wage earners, often do not have such protection. This issue is especially critical during periods in which wages are declining or stagnant relative to price increases. In such periods, beneficiaries become increasingly better off relative to the very wage earners who pay the taxes to support the programs providing assistance to beneficiaries.

At least two alternatives to basing indexing on price index have been suggested as a means for slowing or reducing the costs associated with indexing or rationalizing the indexing. One suggestion has been to use wages, rather than prices, as the basis for future indexation of Federal benefits As the economy expands through gains in productivity, these gains are often reflected in higher wages. Wage indexation would enable those receiving indexed benefits to share in this growth. Similarly, when wage growth does not match growth in prices, this gap would also be transmitted to indexed benefits.

Another alternative would be use either a wage or a price index, whichever has increased the least, a so-called switching standard. As with the previous proposal, the argument for this proposal is that it is unfair to give, as at present, more inflation protection to Federal beneficiaries than wage earners can obtain, particularly since the benefits are financed largely through taxes on wage earners.

Such a system, over time, would probably result in reducing the relative value of indexed benefits.

Under the switching method, the indexing would not grant Federal beneficiaries productivity increases when wages rise faster than prices. Such a system, over time, could result in reducing the relative value of indexed benefits. Benefit growth would be slowed when wages remain stable, but not restored when wages rise relative to prices.

Both the wage and switching standards could be applied in each of the indexed components of the Food Stamp Program—benefits, deductions, and eligibility standards. Only in the case of benefits might there be a legitimate concern that real benefits would be eroded over time—if wages consistently rose less than prices, under the wage system, or by use of the switching standard (unless some limitation were included).

The switching method in particular might be used for food stamp eligibility standards. The use of the present Consumer Price Index tends to expand the eligible pool of recipients. Inasmuch as prices generally have risen faster than wages in recent years, the percentage of the population eligible for food stamp participation has continued to expand faster than it would have under a wage-based system.

The following chart outlines the CBO assumptions with regard to food price inflation and wages over the next 5 years:

[In percent]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| Food prices | 3.3 | 4.7 | 4.4 | 4.2 | 4.2 |
| Wages | 3.1 | 4.2 | 4.8 | 5.2 | 5.6 |

Savings would be based on which method was adopted, whether there was to be any limitation on the switching proposal, and whether all recipients would be subject to the new indexation (see further option).

## BENEFIT OPTIONS

### *Freeze indexing of thrifty food plan for 1 year*

Benefit levels in the Food Stamp Program are currently indexed each October based on changes in food prices for the 12 months ending the preceding June 30.

Postponing indexation of these benefit levels could be achieved in a number of ways.

These proposals have been considered to address several underlying issues with regard to the existing system. Concerns have been expressed that the present system has provided for overindexation, and that reforms are needed to reduce the impact of the past excesses. Coordination with other indexed programs is another reason for postponing indexation, and third, a desire for savings without removing participants from the program. Much of the discussion of various Government-wide freezes has assumed postponing indexation for 1 year. Various bases for such a postponement have been discussed.

One method for achieving this objective in the Food Stamp Program would be for benefits to remain unchanged until October 1, 1986, at which time they would be adjusted to reflect food price inflation through June 30, 1985. Each subsequent October 1, adjustment would be made based on changes in food prices through June 30 of the preceding year. Thus, the lag in updating to reflect price changes would be 15 months, rather than 3 months, as at the present time.

All recipients would be affected by such a freeze in benefits, but none would receive any reduction in benefits; rather, increases would be postponed. Because food price inflation is predicted to be fairly low over the next several years, the impact on individual recipients would be relatively small—typically several dollars per month—while the cumulative savings would be significant.

The Congressional Budget Office estimates the following savings from a 1-year postponement of benefit increases, as described above:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 513 |
| 1987 | 750 |
| 1988 | 740 |
| 1989 | 732 |
| 1990 | 750 |

Another basis for postponing indexing would be to skip the next scheduled increase (October 1, 1985), but resume a year later, at the same time making up the foregone indexing—that is, adjusting benefits for the 24 months ending June 30, 1986. In essence, this option provides one-time savings, in fiscal year 1986 of $513 million according to the Congressional Budget Office.

A somewhat more complex method would be to postpone indexing until October 1, 1986 at which time, the allotment schedules would be updated to reflect changes in food prices inflation between July 1, 1985 and June 30, 1986. The inflation adjustment for the period between July 1, 1985 and June 30, 1985 would be permanently skipped. In essence, this approach moves away from a direct tie to the thrifty food plan. Instead, it makes all future adjustments based on food price inflation changes to the thrifty food plan allotments in existence now—that is, $264 for a family of four.

This method achieves savings estimated by the Congressional Budget Office as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 513 |
| 1987 | 534 |
| 1988 | 555 |
| 1989 | 576 |
| 1990 | 597 |

### *Postpone food stamp benefit increases to coincide with indexation of other Federal programs*

Due to the lack of inflation indexing coordination between food stamp and other Federal benefits, certain food stamp recipients receive an increase in food stamp benefits which is later reduced when the cash benefits of other programs in which they participate are increased. For instance, approximately 25 percent of food stamp recipients are also beneficiaries of Social Security, Supplemental Security Income [SSI], railroad retirement, or veterans' programs. Benefits in these other programs are currently indexed each January 1.

Under the present system, these recipients receive an increase in food stamp benefits on October 1. However, benefits for most of these recipients are reduced (somewhat) 3 months later to take account of the increases in cash benefits from these other programs. Typically, the reduction is relatively small, but still a reduction from the October through December levels. This increase followed by a decrease is confusing to both recipients and eligibility workers, frequently resulting in errors by workers and disappointment by recipients. On several occasions, Congress has changed the food stamp indexation date at least partially in an attempt to coordinate the food stamp increases with increases in other programs. In this way, the indexation from cash programs (Social Security, et cetera) can be taken into account at the same time indexation of food stamp benefits is calculated.

At least two options would address this issue. One would be to postpone for 3 months (until January 1) the increase in food stamp benefits (continuing to be based on food price changes for the 12 months ending the preceding June 30).

The Congressional Budget Office estimates the following savings from a 3 month postponement of benefit increases, as described above:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 127 |
| 1987 | 186 |
| 1988 | 183 |
| 1989 | 181 |
| 1990 | 185 |

Inasmuch as revisions in indexation of these other programs are also being discussed in the context of the Government-wide freeze, another option would be to tie the food stamp indexation date automatically to that date specified for one of the other programs. Probably, the most straightforward method would be to tie the food stamp indexation to the date specified for Social Security benefits, since this is the largest single source of indexed income for most food stamp households.

Savings from this approach would be determined by the date of indexation specified for the Social Security program. If no change in the January 1 date for Social Security indexing occurs and the basis for the update is still June 30, the savings would be the same as in the preceding option.

### *Separate indexation for certain categories of recipients*

Several observers of welfare programs have suggested that welfare benefits should not be indexed, thereby reducing the relative value of the benefits and spurring recipients to seek and maintain regular employment. Such an approach might be limited to those welfare participants who are able to seek and maintain regular employment, that is, the able bodied. One means of implementing this approach in the Food Stamp Program would be to reduce or eliminate the indexing of benefits for households with able-bodied recipients. Households with elderly or disabled could be continued under the existing indexation system since such households presumably are the most truly needy and unable to provide for themselves.

Such a division of the present program would serve to move the program even more distinctly toward a dual approach, emphasizing even more the special circumstances of households more likely to be long-term recipients who are unable to care for themselves, as opposed to those who are able to do so. Approximately 30–40 percent of households are currently classified as containing able-bodied individuals subject to work registration and, where applicable, workfare, while the remainder are not so classified.

If indexation were continued for this able-bodied group it could be continued in the form of the wage or switching standards described previously. In this way, able-bodied recipients would receive indexation based on the lower of changes in wages or food prices, thus, in essence, sharing more in the ups and downs of the economy as do the taxpayers who fund the program.

A further option would be to eliminate altogether any indexation of benefits to able-bodied recipients. Participation in the Food Stamp Program by such individuals would become increasingly unattractive, and possibly cause a greater incentive to seek employment. No cost estimate was obtained for these options.

## DEDUCTIONS

### *Freeze the deductions for 1 year*

Both the excess shelter-dependent care and standard deductions are currently indexed each October 1. Like benefit increases, adjustments are based on the Consumer Price Index for the 12 months ending the preceding June 30. However, the home ownership component of the CPI is excluded for purposes of indexing both deductions.

The advantages of a 1-year freeze on deduction levels are much the same as with the 1-year freeze for benefit levels: Significant aggregate savings without actually reducing program benefits to recipients. Savings could be achieved by delaying indexation of either or both of these deductions as follows.

[Savings in millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| Standard | 70 | 115 | 92 | 115 | 115 |
| Excess shelter/dependent care | 27 | 33 | 33 | 33 | 33 |

As with the earlier benefit option, the indexing would be postponed until October 1, 1986, where the adjustments would then be based on changes in the Consumer Price Index for the 12 months ending June 30, 1985. Each subsequent index would be based on changes in the Consumer Price Index for the 12 month period ending June 30 of the preceding year.

A 2-year freeze would result in the following savings:

[Savings in millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| Standard | 70 | 185 | 185 | 185 | 205 |
| Excess shelter/dependent care | 27 | 60 | 64 | 70 | 70 |

Indexing, under this option, would not be resumed until October 1, 1987, and would be based on changes in the Consumer Price Index for the 12-month period ending June 30, 1985. Each subsequent index would be based on the Consumer Price Index for the 12-month period ending June 30 of the second preceding year.

### *Eliminate further indexing of the deductions*

The administration proposed in 1981 (in S. 1007) to eliminate further indexing for both the standard and excess shelter/dependent care deductions. Instead, Congress postponed further indexation until July 1, 1983. S. 2352, introduced by Senator Jesse Helms (R-North Carolina) in 1982, proposed to eliminate further indexing. Congress again postponed indexing for both deductions until October 1, 1983. In 1983, S. 1727, introduced by Senator James McClure (R-Idaho) and two consponsors included a provision to eliminate further indexing of both deductions.

It is argued that the rationale for any indexing of the standard deduction has been questionable from its inception in the Food Stamp Act of 1977 and has been made more questionable by the addition of new deductions. The standard deduction was originally recommended to target benefits to the poorest recipients and to replace numerous specialized deductions and exemptions that existed prior to the 1977 reforms. These included a work allowance, mandatory work expenses such as Federal, State, or local income taxes, social security taxes, mandatory retirement payments, mandatory union dues, medical expenses, child care, tuition and mandatory fees, support and alimony payments, shelter costs, and unusual expenses connected with a disaster or casualty.

However, Congress, rather than implementing a straight standard deduction as the Carter administration had proposed, instead reduced the amount somewhat and added several special deductions. These special deductions represented expenses for some of the very items which the standard deduction was supposed to replace. A $75 per month deduction limit for the combined expenses resulting from excess shelter costs and dependent care expenses was established. That deduction has since been indexed to the present level of $134. An earned income deduction, now calculated at 18 percent of earned income, was also added. Most tuition costs were designated as exclusions, with the same effect as a deduction.

Since 1977, even more deductions or exclusions have been added on top of the standard deduction, including: the exclusion of low income energy assistance payments, a medical deduction, and an unlimited excess shelter deduction for the elderly and disabled.

It is argued that automatic indexing of what is now a $95 (originally $60) standard deduction might make sense if it really were a replacement for former itemized deductions. The deductible expenses it replaced would have increased with inflation, and automatically indexing the standard deduction could be justified to adjust for inflation those items contained in the standard deduction. However, because the standard deduction does not replace former itemized expenses deductions, it serves as a device to increase benefit levels. Additionally, the whole plethora of deductions serves to weaken whatever nutrition purpose remains in the program. Elimination of further indexing would save significant tax dollars without reducing benefits to recipients.

Similarly, it is argued that the continued automatic indexing of the $134 ceiling on shelter and dependent care expenses is also questionable since fundamentally, it serves to increase the Food Stamp Program's subsidization of nonfood costs.

Elimination of the automatic indexation would not preclude future increases on a case-by-case basis if, in future years, Congress deems such increases advisable and affordable.

[Savings in millions of dollars]

| | Fiscal year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| Standard excess shelter | 70 | 185 | 276 | 389 | 501 |
| Dependent care | 27 | 60 | 92 | 129 | 161 |

## ELIGIBILITY STANDARDS

### *Freeze gross income eligibility standards*

As noted, the gross income ceiling for participation in the Food Stamp Program is established at 130 percent of poverty for households that do not contain an elderly or disabled member. This figure is indexed each July 1 to reflect changes in the Consumer Price Index for the 12-month period ending the previous December. An additional, separate ceiling of 100 percent of poverty applies as a net income test which must be met by all households, including those with elderly or disabled members.

The real income ceiling on participation (for households other than those with elderly or disabled members) could be reduced, in effect, by freezing the gross income limit at its present level—that is, $13,260 for a family of four.

Since benefits are based on net income, recipients who qualify would not have their benefits affected. Additionally, households with elderly and disabled members would not be affected since their eligibility is determined solely by the net income ceiling, not the gross income ceiling.

No cost impact for this option was obtained. However, annual savings would grow over the years. In order to preserve the net income at 100 percent of poverty, the gross income represented by $13,260 could never be less than 100 percent of poverty.

As noted in the general discussion earlier, another option for the eligibility standard would be to index the eligibility standards to a wage or switching method described previously.

## SIMPLIFICATION, COMPATIBILITY, AND FLEXIBILITY REFORMS

### *Simplify and consolidate household definition*

Probably the most frequent request from eligibility workers relating to reform of the Food Stamp Program has been to simplify the determination of household used to define eligible food stamp recipients. The failure to apply properly the existing household definition is a major source of food stamp issuance error.

As a general rule, all individuals who live together in a common residential unit and purchase food and prepare meals in common constitute a food stamp household and must all be considered together as one unit for determining food stamp eligibility and benefits.

However, there are certain exceptions. While parents and children, or siblings, living together are always treated as one household, that is not automatically the case if one of the parents or siblings is an elderly or disabled member. Certain other elderly individuals who have substantial disabilities are also treated as a separate household even though living with others.

Difficulties with the general rule occur, however, in establishing whether members of a residential unit who claim to purchase food and prepare meals separately in fact do so. Typically, the recipient's declaration of separateness is taken as sufficient evidence. Further complexities are added by the potential separate household exceptions for elderly or disabled parents and siblings and by the provision for elderly and disabled recipients who cannot physically purchase food and prepare meals because of a subsequent disability.

The tendency to splinter into smaller households occurs since economies of scale provide small (one, two, or three person) households more food stamps per person than larger households and since each household, regardless of size, receives the same standard deduction (of $95 per month) and a separate excess shelter/dependent care deduction (capped at $134 per month).

The method of simplifying the definition that has the broadest ramifications would be to include automatically all individuals in a common residential unit in the same application unit, or household, regardless of their purchasing and meal preparation patterns, and regardless of the presence of elderly and disabled persons.

The General Accounting Office noted in 1982 testimony:

> Treating persons residing together as a single household for food stamp purposes would greatly simplify the procedures and would free staff to concentrate on verifying income, assets, and household size. (See "Reauthorization of the Food Stamp Program," March 29, 1982, Senate Committee on Agriculture, Nutrition, and Forestry.)

This view was also taken by Karen A. Ludwick, president of the United Council on Welfare Fraud in testimony in 1983:

> We firmly believe that everyone in the household should be on the food-stamp case. We have too many households where our clients are residing with a nonclient, nonrelative, and the client is responsible for household expenses, that is, rent, utilities, et cetera. The definition should include all persons living together, without exception. (See "Oversight of the Food Stamp Program," March 21, 1984, Senate Committee on Agriculture, Nutrition, and Forestry.)

Two other simplification alternatives, whole preserving some distinction for the elderly and disabled, have also been proposed.

The Reagan administration proposed in 1983 (in S. 1208) that all persons who essentially live under the same roof, or in the same residential unit, would be considered a single household, except those who live in households with one or more elderly or disabled members. Those elderly or disabled persons who can prove that they alone or with others, purchase food and prepare meals separately from all other members of the household, would be permitted to apply as a separate household—a continuation of one of the existing exceptions. Additionally, the proposal would retain the current provision that considers elderly and permanently disabled persons and their spouses to be households separate from others with whom they live, purchase, and prepare food as long as the income of the others does not exceed 165 percent of the poverty guideline—another continuation of a current exemption.

The primary purpose of the proposal was to eliminate determinations about whether nonelderly, nondisabled individuals purchase food and prepare meals together or separately. The administration argued that it was much easier to define and determine whether individuals live together and that it was reasonable to assume that persons who live together share the same food.

Another alternative has been proposed by Senator Jesse Helms (R-North Carolina) in 1982 (S. 2352) and 1983 (S. 1993) and by Senator James McClure (R-Idaho) in S. 1727. Under this approach, households would be defined, as in the administration's proposal as any individuals living together. Elderly or disabled parents and siblings would continue to be permitted to apply as separate households. The provision for elderly and permanently disabled recipients would also remain unchanged. The primary difference between the administration approach and the Helms-McClure proposal would be that under the latter States would be granted the option of establishing criteria for individuals who live together to demonstrate that they do not purchase food or prepare meals together and, thus, should be treated as separate households.

Each of these three options would produce similar savings, although perhaps slightly more for the first option (providing no exceptions for the elderly and disabled) and slightly less for the Helms-McClure option which permits States the discretion of establishing exceptions. The CBO estimate of savings for the Helms-McClure option is as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 65 |
| 1987 | 67 |
| 1988 | 70 |
| 1989 | 73 |
| 1990 | 76 |

### *Eliminate federally mandated expedited service*

Because food stamp benefits must be issued to households eligible for expedited service within 5 days, with so little verification achieved in that period, such issuances have been the subject of several notable abuses.

Some of the most publicized abuses from expedited service cases are noted here:

One man made at least 75 applications for food stamps in 23 States from California to Delaware in a 2-year period, fraudulently receiving at least $14,000 in food stamps. In the trial, where he was found guilty of welfare fraud, the man described his method as driving through neighborhoods in whatever city he happened to be in and picking a house that looked like somewhere I might live. He would then use that address to apply for food stamps, always stating that he never had applied for them before.

An Iowa man who drew national attention by threatening a New Year's Eve suicide as a way of obtaining welfare benefits for his family actually had illegally obtained more than $8,000 in food stamps during a 6-month period by applying for the stamps in various counties in Minnesota, Iowa, Wisconsin, and the Dakotas.

The General Accounting Office reported in 1982 that in 34 States, the percentage of all new cases receiving expedited service ranged from 4 percent to 75 percent. (See "Expedited Service in the Food Stamp Program" (CED-82-59), March 15, 1982 and "Food Stamp Program Allocation Processing Time" (CED-82-87), May 21, 1982.)

The GAO indicated that State officials had expected that error rates for expedited cases would be higher than for the overall food stamp caseload because a household could receive 1 month's food stamp benefits just by proving residency and identity. However, the GAO concluded that expedited service cases generally had a lower error rate than the overall quality control error rate for all cases reviewed. They added, however, that because of the limited number of expedited cases included in the quality control review and the impact of incomplete case reviews, the error rate data may not accurately reflect the total program picture.

In four States visited by the GAO, food stamp officials said that daily food stamp work schedules are disrupted because caseworkers must interrupt ongoing work to handle expedited cases. Workers subsequently hurry to catch up on the work they had to put off and, as a result, may make errors in those cases. Also, clients whose cases are delayed because of the priority given to expedited cases may not get their stamps as quickly as they otherwise would.

In a follow-up report, the GAO found that food stamp officials in 19 States said that eliminating expedited service would help reduce processing time for regular cases.

It has been argued that elimination of federally mandated expedited service procedures would permit States to attempt better verification for many cases currently processed under expedited procedures. In cases in which States feel continued expedited treatment should be provided, that could remain as a State option. The Federal requirement for expedited service was initiated in response to concerns about slow State certification procedures in the early 1970's. Inasmuch as States are now processing all certifications well within the 30-day mandatory period, it is argued that the requirement for accelerated processing is unnecessary and even counterproductive in such cases where regular work schedules are disrupted. An optional system would permit each State to decide whether expedited service is counter productive to their administration of the program or a desirable feature.

Elimination of the mandatory expedited service requirement, with retention of a State option has been recommended in 1982 (S. 2352) and 1983 (S. 1993) by Senator Jesse Helms (R-North Carolina) and by Senator James McClure (R-Idaho) in S. 1727. Virginia Dickinson Giles-Mustain of the National Eligibility Workers Association voiced the support of that organization for eliminating the expedited service requirement in 1983:

> The limited times required for a State agency to make a determination of a household's eligibility for expedited benefits impedes the ability of the agency to verify important information before making its decision * * *. The mandatory requirement and the short turnaround time makes overissuance errors probable * * *. Our membership suggests that expedited services should no longer be a mandated requirement but rather a State option. We further suggest that even when optional, verification of income and resources should be mandatory.

The Congressional Budget Office estimates the following savings from eliminating the Federal expedited service requirement:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 27 |
| 1987 | 28 |
| 1988 | 29 |
| 1989 | 30 |
| 1990 | 31 |

*Count lump-sum payments as income*

In the Food Stamp Program, lump-sum payments (which include such payments as income tax refunds, rebates, or credits, retroactive lump-sum Social Security or railroad retirement pension payments, and retroactive lump-sum insurance settlements) are not counted as income in the month received. Rather, such amounts are counted toward the resource, or asset, limits.

As a result of the Omnibus Budget Reconciliation Act of 1981, lump-sum payments are counted as income in the AFDC Program.

Such payments are counted along with any other household income to determine whether the household is eligible for AFDC benefits that If the total income, including the lump-sum payment, surpasses the eligibility standard—called the standard of need in AFDC—the household is ineligible to participate during that Any remaining amount from the calculation for that month is carried forward to determine how many additional months (or part of a month) the household will be ineligible. For instance, assuming a standard of need of $400, and regular monthly income of $100, if the household receives a lump-sum payment of $350, in a month the household would be removed automatically from participation for 1 full month, because the total income received—$450—exceeds the maximum standard of need, of $400. Additionally, the balance resulting from the calculation—$50—is carried over into the next Together with any regular income—$100 in this example—the $50 is counted as income and affects benefits in that month, as well as the initial

In the SSI Program, lump-sum payments are counted as income just in the month received. Thus, if the payment is larger than the eligibility standard in the SSI Program the household is removed from participation that However, they are not removed for subsequent months no matter how large the lump-sum payment may have been. In subsequent months, any remaining money is counted toward the resource limit in SSI.

It should be noted that the effect of the current dissimilar treatment of lump-sum payments can result in increased food stamp benefits to certain households that receive lump-sum payments.

This is because AFDC and SSI cash payments—which are counted as income in the Food Stamp Program—have been reduced in those programs because of the increased income from the lump-sum payment. However, inasmuch as the Food Stamp Program does not count the lump-sum payment as income, but only the cash assistance grant (which has declined), food stamp benefits are increased.

Proposals have been introduced to treat lump-sum payments the same in the Food Stamp Program as in the AFDC Program—that is, to count such payments as income in the month received with any amount over the eligibility standard carrying over to the following months. S. 2352 and S. 1993 introduced by Senator Jesse Helms (R-North Carolina) in 1982 and 1983 and S. 1727 introduced by Senator James McClure (R-Idaho) have taken this approach. The CBO savings estimate from this change is as follows:

[Savings in millions of dollars]

| Fiscal year: | |
|---|---|
| 1986 | 18 |
| 1987 | 19 |
| 1988 | 20 |
| 1989 | 21 |
| 1990 | 22 |

Another option has been suggested which would entail a change in several Federal programs. This alternative would fully offset lump-sum additions to income by treating the lump sum as if it replaced each month's actual cash benefits. For example, if a recipients of AFDC or SSI normally received benefits of $100 a month, a lump sum of $500 would be treated as if it replaced five months' benefits. Food stamps could be handled similarly, although to avoid double-counting the same lump sum for recipients of both food stamps and a cash benefit program, the Food Stamp Program may need to make some form of special allowance for lump sums to AFDC and SSI recipients if such a change in those programs were enacted.

*Consolidate and standardize deductions*

One aspect of the Food Stamp Program which is subject to error is the calculation of allowable deductions for participating households. Problems occur as a result of insufficient information provided by households and calculation errors made by eligibility workers.

The existing system of specialized deductions grew out of congressional reaction to the initial Carter administration attempts to consolidate and simplify pre-1977 deductions. The Carter administration had proposed to replace the existing deduction with a standard deduction. Congress, however, reduced the amount of the standard deduction and retained several specialized deductions—for excess shelter expenses, dependent care expenses, and an earnings deduction. Additionally, for households with elderly and disabled members a deduction was subsequently established for medical expenses, and the ceiling on excess shelter expenses (which applies to all other households) was removed.

The Reagan administration proposed in 1983 (in S. 1208) to eliminate the current standard deduction, excess shelter expense deduction, and the combined excess shelter/dependent care deduction. In their place would be established a standard/shelter deduction that would be available automatically to all households at a fixed amount—$140 when proposed in 1983. A separate dependent care deduction would be available to all households with that kind of expense—about 2 percent of all households—at the level then existing for the combined excess shelter/dependent care deduction, $115.

The new standard/shelter deduction would eliminate all the steps now necessary to calculate a household's excess shelter expenses deduction, thereby presumably speeding up and improving the eligibility and benefit determination process. The administration indicated that the elimination of the excess shelter expense deduction would decrease the incidence of errors by as much as 13 percent. Also the burden on applicants and recipients would be eased because they would no longer have to provide documentation of shelter expenses or report changes in such expenses.

The new deduction would be standardized, and all households—including those with elderly and disabled members—would have the same deduction amount, thus no longer providing higher amounts for households with elderly and disabled individuals.

A comparable consolidated standard/shelter deduction at the present time would be about $150 to $160 per No CBO cost estimate is included since the exact dollar amount of the consolidated deduction has not be assumed in this option.

*Standard earnings deduction*

Also as a part of its 1983 simplification proposal, the administration recommended a replacement of the current earned income deduction (set at 18 percent of earned income) with a standard earnings deduction. The proposed standard earnings deduction would be set at the maximum level of the earned income disregard for the AFDC Program, which is $75 a month per person who is employed full-time for the entire The standard earnings deduction would reduce errors and ease program administration by eliminating calculations and the need to segregate earned income from unearned income. It would establish conformity with the AFDC earnings disregard. Additionally, the standard earnings deduction would result in savings inasmuch as the $75 standard would be less than under the existing program for some households, although a cost estimate for this option was not obtained.

*Permit use of assets tests from other Federal programs*

A number of proposals have been studied in recent years to address the issue of how to make various Federal assistance programs more uniform with regard to definitions, treatment of assets, and processing of applications. The General Accounting Office, for instance, in 1978, reported that differences in asset tests and definitions of countable assets among the Food Stamp, AFDC, and SSI Programs substantially increased the burden of program administration. The GAO indicated that there was a need to standardize and simplify administrative prodcedures among these programs. (See "Federal Assistance Programs—A Time for Assessment and Change" (CED-78-113) June 13, 1978.)

Under the Food Stamp Program, the assets eligibility rules limit an eligible household's countable liquid assets to $1,500, or $3,000 if the household has two or more members and at least one is elderly or disabled. The assets ceiling in the SSI Program is $1,600 for 1-person households and $2,400 for 2-person households. The assets limit for AFDC is set by each State, up to a maximum of $1,000 per household.

One proposal addressing the assets aspect of the program was proposed by Senator Jesse Helms (R-North Carolina) in 1982 (in S. 2352). A similar provision was introduced by Senator James McClure (R-Idaho) in 1983 (S. 1727). The provision would give States the option of using the existing food stamp assets test or using the assets tests from the AFDC and SSI Programs. Under the optional provision, States could use the assets test for the SSI Program for households containing elderly and disabled individuals and the AFDC assets test for the remainder of the food stamp caseload. Alternatively, States could continue to use the food stamp assets test in lieu of the two assets tests from the Social Security Act.

Savings from the provision would occur because both the SSI and AFDC Programs have lower allowable limits for assets. Additionally, States would achieve administrative savings from not having to calculate the value of assets under each separate program in which the household is participating. No new estimate of savings was obtained, but previous estimates indicated savings of approximately $45 million annually.

*Collect overissuances caused by State agency error*

The food stamp statue requires, as a general rule, that households which receive an overissuance of food stamp benefits, repay the Government an amount equal to the overissuance. This repayment may be in the form of a cash repayment or through an offset of future benefits (if the household is still participating in the program). Additionally, certain alternatives to obtain collection (such as through State income tax refund offsets) are available especially when the household is no longer participating in the program.

However, for some cases, the current collection policy consists of simply a request for repayment, with no mandatory followup. One example of this involves overissuances which are the result of State agency error. In such cases, the household may not be required to reimburse the Government for the overissuance even when the household continues to participate in the program. This policy is inconsistent with the AFDC Program which requires collection. It is also inconsistent with the policy regarding agency-caused errors resulting in underissuances in the Food Stamp Program. If, for example, the State discovers that a household was improperly underissued food stamp benefits, the State must correct the mistake by issuing retroactive benefits to compensate for the underissuance. (In such cases, the period for retroactive benefits is limited to 1 year.)

The General Accounting Office has recommended that legislation be enacted to provide for the recovery of overissuances resulting from State agency error. It also urged that collection techniques be developed or expanded to improve the rate of recoveries. (See "Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud," RCED-83-40, February 4, 1983.)

The GAO noted that the reduction in benefits (offset) provision of the current law specifically excludes its use for collecting overissuances from households still receiving food stamp benefits if the overissuances were caused by State agency error. However, no such exception is made with respect to reductions in monthly benefits to recover overpayments in the AFDC Program. The GAO recommended a consistent policy in which all overissuances are subject to collection through the offset methods, regardless of the source of the error which caused the overissuance (that is recipient or State agency).

The GAO reported:

> Lack of authority to reduce current food stamp benefits to recover overissuances caused by State agency errors seriously impedes the collection of significant amounts of overissued benefits. To the extent that households that receive agency-caused overissued benefits remain in the program, the amounts owed—which could be substantial—could be subject to an expanded offset provision if the household involved were identified.

Under the GAO recommendation, States would not be eligible to retain any of the fund recovered that were based on food stamps initially issued because of State agency error. Normally in fraud cases the States retain 50 percent of all repayments and in nonfraud cases, they retain 25 percent.

Senator Jesse Helms (R-North Carolina) included these GAO recommendations in S. 1993, introduced in 1983. No estimate of savings has been made on such a provision.

*Increase collection of overissuances*

The General Accounting Office has repeatedly outlined concerns about the lack of collections of overissuances taking place in most States. The GAO reported, for instance, that during fiscal year 1980 and 1981 only about 1 percent of the projected overissuances were recovered. (See "Need for Greater Efforts to Recover Costs of Food Stamps Obtained Through Errors or Fraud," RCED-83-40, February 4, 1983.)

The GAO also noted that in the AFDC Program, the State is required to take appropriate action under State law to recover overissuances from households no longer participating in the program, while in the Food Stamp Program such collection activities are optional, at the discretion of the State.

Improvements could be made, primarily through Federal regulations under existing statutory authority, to encourage greater use of interstate collection of overissuances. The GAO noted that existing regulations neither require nor preclude interstate collection activity. The GAO noted that the Department of Agriculture may * * * need to establish a more assertive policy * * * and require that these collection initiatives be taken.

The GAO also identified collection techniques being used in other programs that also could be used in the Food Stamp Program to increase collections from households not already subject to the offset of future benefits. These techniques included State retention (or interception) of State income tax refunds, Federal interception of Federal tax refunds, use of small claims courts and collection agencies, and generally more aggressive collection procedures.

States that have income tax refund offset, or intercept systems may already use these for purposes of collecting food stamp overissuances. Additionally, the Deficit Reduction Act of 1984, Public Law 98-369, provided authority for a pilot project to collect delinquent Federal debts. Presumably, food stamp overpayments would be included in the pilot project, although it is not specified in the legislation.

An additional method of collection has been suggested by Senators Jesse Helms (R-North Carolina), S. 2352 in 1982 and S. 1993 in 1983, Robert Dole (R-Kansas), S. 2493 in 1982 and James McClure (R-Idaho), S. 1727 in 1983. These bills would provide States with the option to offset unemployment compensation payments to collect food stamp overpayments. Such authority is already provided in the AFDC Program as a means of collecting delinquent child support. Previous estimates have indicated $1 million annually in savings from the use of an unemployment compensation offset, at State option.

*Change criteria of work registration for parents/caretakers*

One discrepancy between the Food Stamp Program and the AFDC Program is the degree to which parents or caretakers of children are required to register for workfare, if applicable in that area. Able-bodied adults in the Food Stamp Program are not required to register for work until the youngest child in the household reaches age 6.

In the AFDC Program, able-bodied adults in the household are required to register for workfare, when the youngest child reaches age 3. At that point, if adequate child care is available, the adult is required to comply with work requirements. If adequate child care is not available, the adult is exempted from the requirements until the youngest child is 6 years old.

The food stamp policy was established in 1981, at least partially, in an attempt to make the food stamp policy consistent with the AFDC policy. Prior to 1981, the Food Stamp Program exempted adults from work registration requirements until the youngest child reached age 12, while the AFDC Program exempted adults from such requirements only until the youngest child reached age 6.

However, both programs were changed that year. The Food Stamp Program adopted the AFDC rule, but concurrently the AFDC Program lowered the age to 3, with the higher exemption if adequate child care is not available. Thus, the programs still have different standards when workfare is involved.

Suggestions have been made to establish compatibility by lowering the food stamp rule to that employed in the AFDC Program. Senator James McClure (R-Idaho) has proposed in S. 1727, introduced in 1983, to establish compatible treatment in this fashion by providing that adults are required to register for work when the youngest child reaches age 3, unless adequate child care is not available in which case the requirement would be postponed until the youngest child reaches age 6. The administration proposed this same approach in S. 1208 in 1983 and S. 2925 in 1984.

By lowering the age of a youngest child that exempts a parent (or caretaker) from work registration, joint administration of the AFDC and Food Stamp Programs would be enhanced, it is argued, and the number of food stamp households registering for work would be increased. No budget impact is assumed from such a change, although a small reduction in administrative procedures (and attendant costs) may result.

## OTHER BENEFIT REDUCTIONS

### *Lower gross income eligibility*

The present Food Stamp Program provides a gross monthly income eligibility ceiling for most households at 130 percent of poverty. On an annual basis, this corresponds to $13,260 for a family of four. The imposition of the gross income ceiling was itself a reduction from the effective ceiling which had existed prior to 1981. However, proposals have continued to be advanced to lower further the gross income ceiling.

Most of these have focused on establishing the food stamp income eligibility ceiling at 100 percent of poverty. Senator Jesse Helms (R-North Carolina) introduced S. 884 in 1981 and S. 2352 in 1982 to achieve this objection. Similar legislation was introduced by Senator James McClure (R-Idaho), S. 1727, in 1983. All of these bills would preserve a separate, net income standard for households containing elderly and disabled individuals. The effect of this distinction is to preserve a somewhat higher income eligibility criteria for these households.

Arguments in favor of the lower income ceiling have generally centered on the idea that the Food Stamp Program should focus on those in the greatest need—that is, those with incomes below the poverty line. The eligibility for those above the poverty line, it is argued, is arbitrary and costly. If the poverty level truly represents a standard measuring poverty, welfare programs should be designed to focus on those at or below poverty, not those with incomes above poverty. While most of the participants in the current program have reported incomes below poverty, a significant number continue to have incomes between 100 and 130 percent of poverty.

The Congressional Budget Office estimates that savings from lowering the income eligibility ceiling for households (other than those with elderly and disabled members) to 100 percent of poverty would be as follows:

Savings in millions of dollars:

| Fiscal years: | |
|---|---|
| 1986 | 240 |
| 1987 | 250 |
| 1988 | 260 |
| 1989 | 275 |
| 1990 | 290 |

*Lengthen base period for determining eligibility*

Generally, food stamp benefits are determined based on income in the preceding As noted previously, this means that it is possible for individuals to participate for part of the year even though their annual incomes are significantly higher than they are during the months of eligibility for food stamp participation. This is particularly true for households that experience periodic fluctuations in income over a year—whether due to seasonal work or seasonal variations in income, relatively frequent changes in job, loss of a job, or other factors. While about 95 percent of recipient households have incomes below poverty during their months on the program, only 72 percent had incomes below poverty on an annual basis.

As with the recoupment option described earlier, the result of taking into account a longer period (than the current one month) would be to provide benefits based on long-term need, rather than periodic, or short-term need. This approach would be particularly appropriate if the program's purpose is viewed as responding to long-term and fairly consistent needs (such as among many elderly households) rather than responding to the ups and downs associated with seasonal employment or temporary joblessness.

Taking the average monthly income over the past 2 or 3 months would be one means of focusing the program more on an annualized basis of need, rather than, as at present, a monthly basis. No specific cost impact for this concept was obtained.

### *Eliminate the long-term voluntarily unemployed from the program*

A topic somewhat related to the long-term/short-term question addressed previously involves the treatment of those able-bodied recipients who remain unemployed for long periods of time.

This print has already discussed the possibility of an option involving workfare for such able-bodied food stamp recipients. Another variation suggested in 1982 would terminate food stamp benefits to unemployed individuals a month after their unemployment compensation expires. The bill, S. 2522, introduced by Senator S.I. Hayakawa (R-California), was aimed at removing from the food stamp rolls what Senator Hayakawa termed "the long-term voluntarily unemployed"—that is, those able-bodied individuals receiving food stamps who remain unemployed for a good part of the year.

Unemployment compensation benefits are typically paid to an unemployed person for 26 weeks plus additional weeks (up to 14 weeks) if certain conditions are met, such as high unemployment within a State.

Under the Hayakawa proposal, one month after unemployment compensation benefits had expired—or a similar period of time for those not receiving unemployment compensation—an individual would have to be working at least 20 hours per week, or engaged in a workfare program, in order to remain eligible for food stamps.

By allowing the individual to continue participation in the program as long as the individual worked at least 20 hours, sufficient time would be permitted to engage in job search for a full-time job. In essence, the proposal was intended to encourage food stamp recipients to maintain some form of employment—either full-time, part-time—or be engaged in a workfare program. Failure to comply with the requirement would result in disqualification for the individual.

The Hayakawa approach permitted the Secretary of Agriculture to waive the work requirement in areas which had an unemployment rate of 10 percent or more or which were determined not to have enough jobs to fill the needs of the unemployed.

Legislation enacted in 1982 provided authority for the Secretary of Agriculture to test the Hayakawa approach in 4 pilot projects. However, these have not been implemented. No cost estimate on the impact of the national implementation was obtained.

### *Lower deductions*

In addition to the possibility of freezing deductions, as suggested in the earlier options section dealing with indexing, others have suggested that deduction levels should be rolled back, or reduced.

Senator James McClure (R-Idaho) proposed in S. 1727 in 1983 to reduce the standard deduction to $60, the original amount set in 1977 before indexing brought it to its current level of $95.

The standard deduction was originally proposed to replace other, specialized deductions that existed in the program prior to 1977. However, since other, specialized deductions have been added, in addition to the standard deduction, indexing of the standard deduction, it can be argued, is questionable. In a practical sense, the present deduction merely serves to exclude an ever increasing amount of income from being "counted" as income for purposes of determining benefit levels with little, or no, relation to expenses actually incurred.

Reducing the standard deduction would affect all recipients except those who already have incomes below whatever new amount would be established for the standard.

The Congressional Budget Office has estimated that the budget impact for each $5-increment reduction in the standard deduction (from the present $95 level) would be a savings of $115 million annually.

Similarly, the limit on excess shelter and dependent care expenses could also be reduced. As noted previously, it has been argued that this deduction dilutes the nutrition focus of the program by excluding, for purposes of determining benefit levels, income spent on nonfood purposes. The Congressional Budget Office has estimated that the budget impact for each $5-increment reduction in this deduction (from the present $134 level) would be a savings of $27 million annually.

*Reduce or eliminate earned income deduction*

The Food Stamp Program currently permits households with earned income to reduce their countable, or net, income by an amount equal to 18 percent of the household's *earned* income

The administration noted in 1981 that the earned income deduction (then 20 percent of earned income) exceeded the average work-related expenses of working, low-income households. An updated table, furnished for this print, indicates that this continues to be the case. (See section entitled "Deductions and Benefit Calculations".) Except for one-person households, actual work-related expenses are estimated to be under 14 percent. The administration had proposed to lower the earned income deduction to 15 percent. In 1982, the administration proposed (in S. 2392) to eliminate the earned income deduction altogether.

The Congressional Budget Office estimates the savings from lowering the deduction to 15 percent and to 10 percent are as follows:

[Savings in millions of dollars]

| | Fiscal Year— | | | | |
|---|---|---|---|---|---|
| | 1986 | 1987 | 1988 | 1989 | 1990 |
| 15 percent | 82 | 86 | 90 | 94 | 99 |
| 10 percent | 215 | 250 | 260 | 275 | 290 |

*Revise minimum benefit*

The Food Stamp Program currently has several conflicting rules with respect to the issuance of minimum benefits to various types of households.

For one- and two-person households, no benefit less than $10 per month is issued as long as the household is eligible. For households of three and more, the exact dollar amount is issued, even if that amount is less than $10—such as $7, $5, et cetera, or even zero.

The President's Task Force on Cost Control (the Grace Commission) noted the anomaly of the present $10 minimum benefit for one- and two-person households in recommending the elimination of the minimum benefit:

> In the case of a one- or two-person household that meets the eligibility qualifications, even if the family's calculation shows that they are to receive no benefit, they will receive $10. This is not true for households of more than two people.

The following two examples highlight this disparity. In both cases, a one-person household and a two-person household have gross incomes under the maximum allowable income ceiling (130 percent of poverty), and net incomes under 100 percent of poverty.

*Example A: 1-person household*

| | |
|---|---|
| Income: | |
| (Maximum possible for a 1-person household is $540) | $460 |
| (Standard deduction) | −95 |
| (Excess shelter/dependent care) | −125 |
| Net income (net income—maximum is $415) | 240 |
| (Representing household's expected contribution) | x .30 |
| | 72.00 |

Food stamp allotment (benefit) equals the difference between the maximum allotment ($79 for a 1-person household) and subtracting 30 percent of net countable, income ($72.00)—$7. However, because this a 1-person household, the household receives a $10 minimum benefit.

Very similar financial circumstances produce significantly different results for larger households.

*Example B: 3-person household*

| | |
|---|---|
| Income: | |
| (Maximum possible for 3-person household is $917) | $916 |
| (Standard deduction) | −95 |
| (Maximum excess shelter/dependent care deduction) | −134 |
| Net income (net income—maximum possible is $705 for 3-person household) | 687 |
| (Representing household's expected contribution) | x .30 |
| (Rounded down to $206) | $206.10 |

Food stamp allotment (benefit) equals the difference between the maximum allotment ($208 for a 3-person household) and subtracting 30 percent of countable income ($206)=$2. Since this is not a one- or two-person household, the household receives the exact amount of the benefit, $2.

For many one- and two-person households, it is even possible that they would not be entitled to any benefits were it not for the $10 minimum benefit. In most of these cases, the families have either earned income or elderly or disabled members:

*Example C: 2-person household*

| | |
|---|---|
| Income: | |
| (Maximum possible for 2-person household is $728) | $725 |
| (Standard deduction) | −95 |
| (Maximum excess shelter/dependent care deduction) | −134 |
| Net income (net income—maximum $560) | 496 |
| (Representing household's expected contribution) | x .30 |
| (Rounded up to $149) | 148.80 |

Food stamp allotment (benefit) equals the difference between the maximum allotment ($145 for a 2-person household) and subtracting 30 percent of countable income ($149)= −$4. In other words, based exclusively on the calculation, the household would not receive any benefits. However, because this is a two-person household, the household receives a $10 minimum benefit.

Indeed, the Department of Agriculture estimates that approximately 62 percent of all one- and two-person households would not be entitled to any benefits were it not for the minimum benefit.

The elimination of the minimum benefit has been proposed by the Grace Commission, as noted above. Recommendations to eliminate the minimum have also been included in legislation sponsored by the administration (S. 2392 in 1982), Senator Jesse Helms (R-North Carolina) in S. 2352 in 1982, and Senator James McClure (R-Idaho) in S. 1727 in 1983.

In each case, the effect of the proposal was that recipients would be given the exact dollar amount of food stamp benefits (even if smaller than $10). The Congressional Budget Office estimates the savings from eliminating the $10 minimum benefit as $65 million per year.

Another alternative would be to eliminate all benefits under $10. The current Food Stamp Program provides that for households participating for the first month, if the amount to which they are entitled would be less than $10, no benefit is issued.

Further application of this principle to all food stamp households would save the administrative expenses associated with participating for the first month, if the amount to which they are entitled would be less than $10, no benefit is issued.

Further application of this principle to all food stamp households would save the administrative expenses associated with distributing small monthly benefits. As with the previous option, most households affected would generally be those with income already close to the maximum eligibility limit. Elimination of benefits unless they were to be $10 or more would result in savings of $80 million annually, according to the Congressional Budget Office. (NOTE.—As in all cases, this savings estimate is independent from the preceding. The implication from the two CBO estimates is that only $15 million is spent on monthly benefits between $1 and $9; most of the impact is by eliminating benefits to those who, without a $10 minimum, would get no benefits.)

### *Allow liens for repayment of food stamp benefits*

Currently food stamp benefits are free to recipients and there is no expectation of repayment. One issue which has been raised is whether the Federal Government should expect some form of repayment when the participating household transfers valuable property—such as when a home is sold.

Senator Jesse Helms (R-North Carolina) proposed in S. 2352, introduced in 1982, that States have the option to impose liens to collect the amount of benefits issued to the household. The lien would be imposed, under the Helms approach, only on that portion of the house or property which exceeded the average value of houses or property within that State and only when there are no longer any members of the household residing in the dwelling.

The primary argument in favor of lien approach is that tax dollars should be recovered, where possible, from the recipient or the recipient's family for benefits which the recipient has received. Some have observed that grown children sometimes fail to provide adequate support for their parents or grandparents because they expect society to do so through welfare and social programs, such as the Food Stamp Program. Yet upon the sale of the parent's property, such as a home, particularly upon the death of the parent, it is often the surviving children who are the beneficiaries—even when they may not contributed to the support of the parents during their lifetime.

A lien would permit the Government to recoup some of the costs it has incurred on behalf of the household when there is a sale of above-average value property. To the extent that the children did contribute to the support of the parent, the welfare expenses—in this case, food stamps—would be diminished, thus reducing the amount of the lien.

Both the AFDC and Medicaid Programs permit the limited use of liens to recover part of the value of benefits provided to a recipient. No budget impact was obtained for this option.

### *Include student income and assets*

Individuals who are attending postsecondary education more than half-time are deemed students, and are not, as a general rule, eligible for Food Stamp Program participation. However, under present food stamp practice, the remainder of individuals living with the student may be eligible to participate regardless of their relationship to the ineligible student. At the present time, the income and assets of the ineligible student are totally disregarded in determining the eligibility and benefit levels of the remaining eligible individuals of the household.

The result of the current policy is that households containing one or more ineligible students are still able to receive food stamps. In practice, since they live together, the ineligible student is likely sharing in the use of food purchased with food stamps, contrary to the intent of the statute.

Inasmuch as the income and assets of the ineligible student are likely available to the remainder of the individuals in the residential unit, the total exclusion of these factors may tend to understate the financial circumstances of the household.

Indeed, the exclusion of the student's income may result in the remainder of the household getting more benefits than if the student (and his or her income) were included in making determinations of eligibility.

One option for addressing this issue would be to require that the income and assets of ineligible students be counted in the determination of eligibility and benefit levels for any remaining members living with the student who apply for food stamp benefits. Such a provision was included in S. 1993, introduced by Senator Jeese Helms (R-North Carolina) in 1983.

An example of the current treatment and an alternative counting the ineligible student's income follows:

Example: 3 people living together, including 1 ineligible student with monthly income of $400 from part-time work; no income for other household members.

Current computation: 2-person household with no income = maximum food stamp benefit allotment of $145.

Alternative computation counting the income of the ineligible student: 2-person household with ineligible student's income of $400 attributed to the eligible part of the household. Gross income of $400 (−$95 standard deduction and −$134 maximum excess shelter deduction) = countable income of $171.

Expected household contribution = .30 × $171 = $52.

| | |
|---|---|
| Maximum 2-person allotment | $145 |
| | −52 |
| Revised allotment | 93 |

No budget impact was obtained for this option, but it would be expected to be relatively small, not more than a million dollars or so annually.

*Eliminate exemption of student loans, grants, and income*

The Food Stamp Program currently excludes from income for the purposes of the program educational loans on which payment is deferred, grants, scholarships, fellowships, and, veterans' educational benefits to the extent these are used for tuition and mandatory school fees. Both the administration in S. 2925 and Senator Jesse Helms (R-North Carolina) in S. 1993 proposed to eliminate this special exemption for "educational income".

Students who earn income to pay for tuition and mandatory school fees have such income counted for food stamp purposes. The proposal to include all student reimbursements as income, it is argued, would ensure equity among all students whether they receive educational grants (or other financial support) or not.

### Reforms Relating to Retail Stores

Most reforms relating to retain stores discussed here do not have a cost saving impact, but are intended to improve program integrity or to strengthen the nutrition focus of the program.

*Limit stays of administrative action*

Legislation has been proposed by both the administration, in S. 1208 and S. 2925, and Senator Jesse Helms (R-North Carolina), in S. 1993, to change the conditions appellant retail food stores (and wholesale food concerns) must meet in order to obtain judicial stays of administrative penalties.

Under current practice, retail stores that have been charged with violations of the Food Stamp Program and disqualified from participation for a certain period of time are often permitted to continue redeeming food stamp coupons while they appeal the disqualification. This can occur because retail stores requesting a judicial review of an adverse administration determination (that is, a disqualification or imposition of a civil money penalty) can obtain a stay pending a decision merely by showing that irreparable injury would occur. Since disqualification results in "irreparable injury" in the overwhelming majority of cases, stays are typically granted. Delays of more than a year in implementing a disqualification are not uncommon. Under both the administration and Helms bills, rather than just showing irreparable injury, the petitioning retail firm would have to meet the conditions required under applicable law for obtaining judicial stays of administrative actions. These conditions typically include the following: (1) A strong showing that the petitioner is likely to prevail on the merits of the case; (2) issuance of the stay would not substantially harm other interested parties; (3) issuance of the stay is in the public interest; and (4) failure to obtain the stay would cause the petitioner irreparable injury.

Since it would be considerably more difficult for a store to meet all four tests than to show merely that irreparable injury would occur, fewer stays would be granted, resulting in more rapid implementation of disqualifications. Additionally, it is argued, speedier disqualifications would serve as a more effective deterrent to retailer abuse.

### *Cross-compliance sanctions for retail abuse*

Currently stores that have been disqualified from food stamp participation are still eligible to participate in other Department of Agriculture programs, primarily the special Supplemental Food Program for Women, Infants, and Children [WIC].

In 1983, Senator Jesse Helms (R-North Carolina) proposed in S. 1993 to require that stores disqualified from participating in the Food Stamp Program also be ineligible, during the period of disqualification, from participating in the WIC Program.

The administration proposed in S. 2925 to permit disclosure to WIC authorities of information obtained from the monitoring of retail stores, including disqualifications. The information would include, according to the administration, those vendors that have a high ratio of food stamp redemptions to total food sales, often a factor associated with abuses of the program. Information on disqualification would also be furnished, but unlike the Helms bill, would not result in automatic disqualification from WIC participation.

### *Establish a fee for participating stores*

One issue which has arisen is whether participating retail stores should be required to pay a fee in order to be licensed to redeem food stamp coupons. In 1982, Senator Jesse Helms (R-North Carolina) proposed in S. 2352 to establish such a fee. The fee would be imposed annually and would be equal to 1 percent of the food stamp redemptions by the store, or $100, which ever was greater.

Currently, responsibility for approving retail store participation rests with the Department of Agriculture. Over 234,000 separate establishments are currently approved to accept and redeem food stamp coupons. The great majority of these are grocery stores, but they also include other institutions which are eligible to participate, such as restaurants and wholesalers.

Two primary issues have been cited in support of some form of a fee for participation. Considerable costs are incurred by the Federal Government in carrying out its responsibility for policing the participating retail stores. These costs are increased when investigations lead to prosecutions for program violations. It has been suggested that a reasonable requirement would be for participating stores to help offset these costs by paying some sort of an annual fee, especially since the stores derive a good deal of benefit from the $12 billion annual program.

Second, in the past the Department of Agriculture has expressed concern about the proliferation of eligible outlets that can redeem food stamp coupons. A fee, no matter how nominal, would perhaps result in a reduction in participation by marginal stores that redeem coupons only periodically or in very small quantities. A reduction would also lower the overall costs of investigations and prosecutions discussed above since the pool of participating stores might be somewhat reduced.

Based on 234,000 currently participating stores, a reduction in Federal costs of approximately $5 million would result from a $25 fee, or any additional increment thereof.

### *Limit eligible foods to those that are "nutritious"*

A persistent theme throughout much of the debate on food stamp legislation, and among the public, has been a concern over the nutritional quality of food purchased by food stamp recipients.

Legislative efforts, particularly in the House, have focused on requiring that food items in the grocery store be designated as acceptable or unacceptable for food stamp purposes and limiting eligibility for purchase with food stamps to those of acceptable nutritional quality.

Two general issues arise. The first is how to decide whether particular food products (or brands) are nutritious. Nutritionists vary a great deal in what they recommend with regard to comprehensive diets and specific components of the diet. Some contend, for instance, that, independently, very few foods are junk foods and that it is the overall diet pattern that determines whether a person is consuming too much or not enough of a particular food product or type of food. Such an approach is difficult to translate to limitations on purchases in the grocery store. Several of the reform proposals in the House have suggested that the Secretary of Agriculture consult with the Food and Nutrition Board of the National Academy of Sciences to determine which foods should be on the acceptable list.

Second, if one could determine which products are allowable and which are not, the practical means for enforcing such distinctions in the food store have, historically, been difficult. It would require food store checkout clerks to distinguish between those foods that can and cannot be bought with food stamps. This could be a significant expansion of their current responsibility to sort out ineligible items (such as tobacco, alcoholic beverages, and nonfood products).

The increasing computerization of many retail stores may be alleviating the difficulties in the second case. Scanners could perhaps be programed to accept or reject certain food products based on a predetermination of the product's nutritional quality. Additionally, depending on how many food products are deemed ineligible, manual distinctions may be feasible, particularly with regard to items on which the greatest consensus may emerge. For instance, if broad types of foods now eligible were made ineligible, distinctions might more readily be made than if more narrow definitions were used.

### *Designate a certain percentage of food stamp allotment for specific foods*

Another option would be to establish specific categories of food for which food stamp coupons must be used. In an effort to address the current surplus of dairy commodities, the Grace Commission Task Force on Financial Asset Management made such a recommendation in 1983. The task force recommended that the Food Stamp Program should be altered so that a designated percentage of the coupons could be used only for the specific purchase of dairy products of the type purchased by the Commodity Credit Corporation.

The task force noted that Department of Agriculture consumption surveys have indicated that about 12 percent of food stamps are typically used for purchasing dairy products—such as milk (fluid and nonfat dry milk), cheese, and butter. By designating a specific percentage of the food stamp coupons for dairy product purchases and increasing that percentage above historical levels, the Grace Commission report assumed that savings would accrue in the operation of the Commodity Credit Corporation which now has in inventory about 1.6 million pounds of dairy products. Increasing dairy product purchases, it was hoped, would result in less purchases by the Comodity Credit Corporation and, therefore, reduced Federal costs. The Commission assumed a designation of 20 percent of food stamps for dairy product purchases, thereby presumably causing increased purchases of dairy products.

The use of a "commodity specific" coupon system within the Food Stamp Program, it is argued, would perhaps serve to restore some of the original connection with reducing stocks of surplus commodities.

However, it is possible that the designated system would only displace other sales of the designated commodity and, for example, recipients would spend the same amount on dairy products as before. This could be especially true if the consumption survey patterns understated true dairy consumption among food stamp households. Additionally, administrative difficulty and associated expenses would have to be weighed with possible savings to the CCC to determine cost effectiveness.

### *Cash change options*

Concerns have been expressed that some food stamp participants cash food stamps by purchasing an item such as a candy bar at one or more locations or by going through the checkout counter several times buying inexpensive eligible food items and then using the accumulated change to buy ineligible items such as alcoholic beverages or cigarettes—thus circumventing the purpose of the program.

In 1982, the General Accounting Office identified three alternatives to the present policy of providing cash change for amounts up to $1. (See "Use of Scrip Versus Cash in Making Change for Food Stamp Purchases," letter report to Hon. G. William Whitehurst, House of Representatives, May 21, 1982.) Those alternatives were:

> Return to the use of scrip (that is credit slips, usable for future food purchases). Scrip was previously used in the program between 1972 and 1977.

Use a combination of cash and scrip. In 1981, the Department of Agriculture proposed legislation to require that scrip be used as change in the case of all purchases totaling less than $5. In the case of all purchases of $5 and over, cash change of less than $1 could continue to be given. The administration stated that this option would minimize cash change abuses since most food stamp recipients might not be willing to spend $5 in food stamps to get less than $1 in cash change. At the same time, participants who purchase larger food orders would not need to deal with receiving scrip as change.

Require participants to pay cash for any cost over an even-dollar amount or purchase additional food. Under this option, a participant would use food stamps up to the nearest dollar of the purchase and either pay the balance in cash or purchase additional food (trade out) up to an even-dollar amount. A further refinement of this option would be to allow stores to give some small amount of cash change, for example 10 cents or so, so that participants would have some leeway in trading out.

Reports of abuses of the existing cash change system are commonplace. A proposal to eliminate the giving of cash change passed the Senate in 1981, but was not enacted into law. Any of these GAO options, particularly the first and third, could provide an improvement in the public perception of the Food Stamp Progam. Provisions to eliminate cash change have been included in S. 2352 and S. 1993 by Senator Jesse Helms (R-North Carolina) and S. 1727 by Senator James McClure (R-Idaho).

*Eliminate dine-out*

The present Food Stamp Program permits States to establish dine-out programs whereby restaurants may be designated as retail stores for purposes of redeeming food stamp coupons for elderly and disabled recipients who purchase meals at the restaurants.

S. 884 in 1981 and S. 2352 in 1982, both introduced by Senator Jesse Helms (R-North Carolina), proposed to eliminate this dine-out authority.

While the dine-out program has been small and currently shows little likelihood for expansion, its continuation, it is argued, holds the program up to ridicule—"food stamps in restaurants"—and diverts precious administrative time away from more important aspects of program administration.

*Eliminate participation by alcoholic and drug rehabilitation centers*

As a general rule, individuals living in institutions are not permitted to participate in the Food Stamp Program, and institutions are not permitted to accept and redeem food stamps. However, special eligibility provisions currently allow residents of drug addiction and alcoholic treatment and rehabilitation programs to participate in the Food Stamp Program.

In 1981, the Senate included an elimination of the eligibility of individuals residing in these centers in S. 1007. However, the House conferees objected, and the eligibility was continued.

Removal of these special eligibility rules, it is argued, would end indirect subsidies to a set of residential institutions that should be supported through their own funding channels, rather than through the Food Stamp Program. Additionally, it is argued, elimination would remove the administrative burden currently associated with the special procedures needed to certify residents of such institutions as eligible to participate in the program, to issue their benefits, and to conduct verification activities. It would also remove the possibility for fraud inasmuch as residents are often participants only for short periods and yet institutions may—inadvertently or deliberately—continue to receive benefits in behalf of a resident who has been discharged.

No budget estimate was obtained, but in the past, elimination of these centers has been estimated to save about $10 million annually.

## OTHER REFORMS TO IMPROVE PROGRAM INTEGRITY

### *Increase automation*

As noted earlier, most of the systems involved in the operation of the current Food Stamp Program at the State and local levels are manual systems. Considerable administrative savings, together with improved accuracy in issuing food stamp benefits, could potentially be achieved by increasing the degree of automation in the Food Stamp Program. Most importantly, increased attention is needed to verify initial information submitted by applicant households before they are certified for food stamp benefits. Currently, the Food Stamp Program provides 75 percent Federal funding for startup costs associated with initial computerization of the program by the States. However, even with this higher level of incentive funding, many States have been slow to implement computer systems for the Food Stamp Program.

One possibility for encouraging more rapid computerization may be to reduce the incentive funding for future fiscal years. In this way, States would have to recognize that the higher incentive funding would only be available in the short term, thus prompting more attention to immediate computerization. To phase out the higher funding, the incentive funding could be reduced 5 percent annually beginning in fiscal year 1987 or 1988. The interim year or two would provide States with sufficient time to implement new systems at the higher, 75-percent rate.

Another way of achieving increased computerization would be to require States to implement specified computer capabilities by a certain date, or risk losing administrative funding.

### *Improve issuance system*

Another source of abuse under the present program is the issuance of food stamp benefits. These current systems often provide benefits through an authorization to participate procedure, or through the mail. Increased attention has focused on the possibility of moving to electronic funds transfer or a debit card which would be used directly at the grocery store. Scanners would deduct the amount of the food stamp purchase from the recipient's account, maintained at a central site. While several pilot projects to test this concept have been implemented or discussed, the present technology has not been applied on a widespread basis. Current law provides the Secretary with authority to require alternative issuance systems, but the Secretary has not yet required a conversion to any of the more advanced issuance systems. As in other fields, the increasing use of technology opens the possibilities for fraud and abuse in new areas. Precautions must be taken in any system to minimize opportunities for unauthorized use of a recipient's account, as well as entry into the central computer files.

### *Photo identification*

One proposal to improve program integrity would be to require States to implement a photographic identification card system for food stamp recipients. Senator James McClure (R-Idaho) included such a proposal in S. 1727 as did Senator Jesse Helms (R-North Carolina) in S. 1993, both introduced in 1983.

### *Maximum certification periods for zero-income households*

Suggestions have been made to provide shorter maximum certification periods for households claiming no income. It is argued that families cannot meet normal living expenses when reporting no income. Consistent submission of no income in such cases raises questions about the accuracy of such report information. While States currently may set shorter certification periods, they are not required to do so.

Among other provisions to improve the program's integrity and public perception, the following concepts have been proposed by Senator Jesse Helms (R-North Carolina) in S. 1993, the Food Stamp Integrity and Accountability Act:

*Limit property holdings.*—Limit the property which a participating household may exclude from being counted as a resource to one home and the surrounding lot (not to exceed 10 acres). The value of land in excess of 10 acres would be counted as an asset, under the proposal. Thus, if the land was valuable, the household would be ineligible.

*Alien income.*—Require that all income of an ineligible alien be counted in determining household's eligibility, not just a pro rata share as under current law.

*Certification of information.*—Require that all adult food stamp applicants and all adult recipients who are required to file certain reports certify in writing, under penalty of perjury, the truth of the information contained in food stamp applications, monthly income reports, and other documents.

*Increase verification.*—Require verification of all income, household size, and other factors which either the Secretary or the State may require.

*Fraud detection offices.*—Require States to establish fraud detection offices in project areas serving 5,000 or more households. Fraud detection offices would investigate, and assist in the prosecution of fraud in the Food Stamp Program.

*Geographical error prone profiles.*—Permit the inspector general to develop information on project areas which have error rates which impair the integrity of the Food Stamp Program. In such areas, the Secretary may institute additional requirements in order to reduce the overissuance errors. An annual report would be made to Congress on what areas have significant error rates and what actions, if any, have been taken to remedy them.

○